

6-1-1994

Business Outlook, Vol. 10, No. 4, Summer 1994

Follow this and additional works at: https://research.upjohn.org/bus_outlook

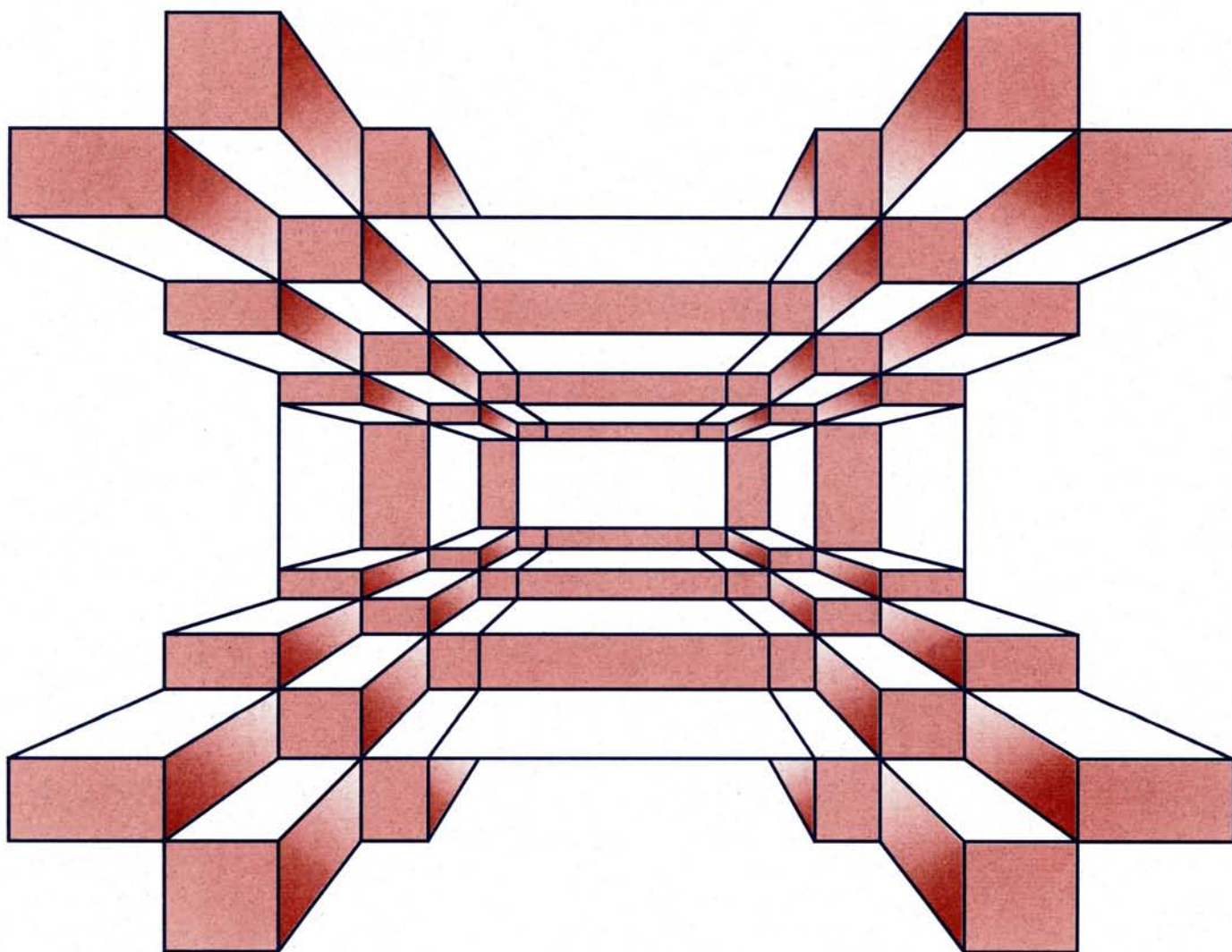
Citation

W.E. Upjohn Institute. 1994. Business Outlook for West Michigan 10(4).
https://research.upjohn.org/bus_outlook/vol10/iss4/1

This title is brought to you by the Upjohn Institute. For more information, please contact repository@upjohn.org.

BUSINESS OUTLOOK

for West Michigan



W. E. UPJOHN INSTITUTE for Employment Research

Board of Trustees of the W. E. Upjohn Unemployment Trustee Corporation

Preston S. Parish, *Chairman*

Ray T. Parfet, Jr., *Vice Chairman*

James H. Duncan, *Secretary-Treasurer*

John T. Bernhard

Thomas W. Lambert

Donald R. Parfet

Marilyn J. Schlack

Paul H. Todd

Randall W. Eberts, *Executive Director*
W. E. Upjohn Institute for Employment Research

BUSINESS OUTLOOK for West Michigan is published four times a year by the W. E. Upjohn Institute for Employment Research. The Institute, a non-profit research organization, is an activity of the W. E. Upjohn Unemployment Trustee Corporation, which was formed in 1932 for the purpose of carrying on "research into the causes and effects of unemployment and measures for the alleviation of unemployment."

BUSINESS OUTLOOK

for West Michigan

George A. Erickcek
Editor

Judith K. Gentry
Managing Editor

Natalie Lagoni
Production Coordinator

Christine Fahndrich
Research Assistant

Elizabeth Wertz
Assistant to the Editor

Vol. X, No. 4
Summer 1994

W. E. UPJOHN INSTITUTE for Employment Research

Contents

West Michigan Viewpoint.....	1
National Economy	2
Michigan Economy.....	8
West Michigan Economy	10
Benton Harbor MSA.....	12
Grand Rapids–Muskegon–Holland MSA.....	14
Kalamazoo–Battle Creek MSA.....	18
Appendix Tables	
• Michigan (Statewide) Statistics	22
• West Michigan (3 MSAs) Statistics	23
• Index of Help-Wanted Advertising.....	24
• Index of Leading Indicators	24
• Components of the Index of Leading Indicators	25
• Employment Data for West Michigan MSAs and Michigan	26
• Vacancy Rates for Selected Metropolitan Labor Market Areas in Michigan.....	27
• Population by Age Groups: Six Metropolitan Counties in West Michigan	27
• 1991 Earnings by Industry for Selected Counties of Michigan	28
• Consumer Price Index	28
• Selected Labor Market Indicators	29
• Commercial Banking Data.....	29
• Population and Income Update for Selected Areas	30
• Existing Homes Sales.....	30

We gratefully acknowledge the following organizations
as sponsors of *Business Outlook*



WEST MICHIGAN VIEWPOINT

When the auto industry is cruising in overdrive, it is easy to ignore the admonition about having all your eggs in one basket. Michigan's unemployment rate is currently below the nation's, hourly earnings are inching upward and work-weeks are long. For West Michigan, with its vast number of auto suppliers, the numbers are just as impressive. The important question is whether this expansion is another short joy ride or a long journey. Current forecasts, market conditions, and ongoing structural changes suggest the latter; however, for suppliers it will not be a vacation.

Auto sales hit 7.73 million units in the first six months of this year, and analysts are now predicting approximately 15.5 million units in sales for all of 1994. This is well above the 14.2 million units sold last year. In Michigan, for the 1993 model year vehicle production was up 13.7 percent, with light truck production up 40.7 percent.

Next year's sales also appear promising, with estimates running between 15.5 and 17.5 million units. The only roadblock facing the industry is possible capacity constraint; some analysts are warning that 17.5 million units are beyond the production capabilities of the industry. According to estimates published by the Chicago Federal Reserve Bank, sales of the Big Three's most popular light trucks, the GM Blazer, the Ford Explorer, and the Chrysler Grand Cherokee, are all at or above 140 percent of production capacity. Inventories are being drawn down and customers are being placed on waiting lists.

Market conditions look good for the next two years. There are 40 million vehicles on the road today that are older than twelve years. The average age of a car is now at nine years, the oldest since 1946. Of course today's cars are more durable, but many analysts believe that the replacement needs or "pent-up" demand will fuel the industry well into 1996. Second, the low dollar/yen ratio and the quality improvements made by the Big Three are enabling them to regain market share. Finally, the Big Three are trying to keep prices down. From 1991 to 1993, car and light truck prices did not increase as fast as the general Consumer Price Index. Recently, GM announced that it will hold price increases on its 1995 models to just 2.5 percent.

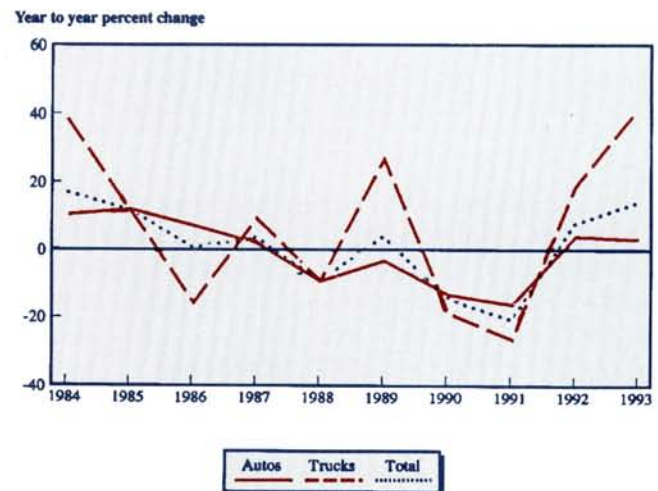
The drive to keep sticker prices down is good news to consumers, but it is putting a squeeze on profitability for suppliers. To stay in business, suppliers are taking on more design responsibilities, accepting more demanding produc-

tion schedules, promising near-zero defects, while agreeing to hold prices constant. Simultaneously, suppliers are struggling with price increases for their inputs, especially in steel and plastics.

The dwindling number of first-tier suppliers has created a very competitive environment in the industry. This has generated disputes between the surviving suppliers and the final assemblers. A recurring pressure point between the auto companies and their suppliers is the lack of financial support for the suppliers' engineering and design activities.

Fortunately, many suppliers on the west side of the state have met the challenge. Donnelly, Nippondenso, Benteler, and SPX, to name just a few, have not only made the cut but have become industry leaders.

Michigan Motor Vehicle Production



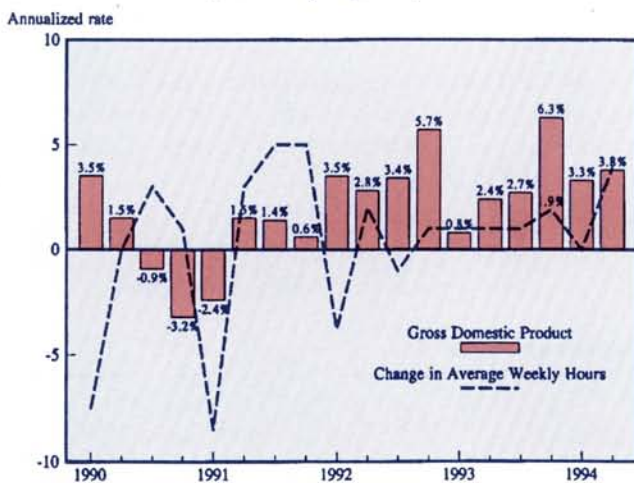
The success of West Michigan's auto suppliers is due to advantageous location. Time and miles count. A supplier in Grand Rapids can maintain just-in-time delivery schedules to instate customers and to plants in Ohio, Indiana, and Illinois. The quality of their current and future workforce, however, will decide their long-term competitiveness. It is a twofold challenge: making West Michigan a desirable location for professional designers and engineers who have ample opportunities elsewhere and training production workers who have both the workplace skills/attitudes and the technical skills to get the job done.

NATIONAL ECONOMY

OUTPUT

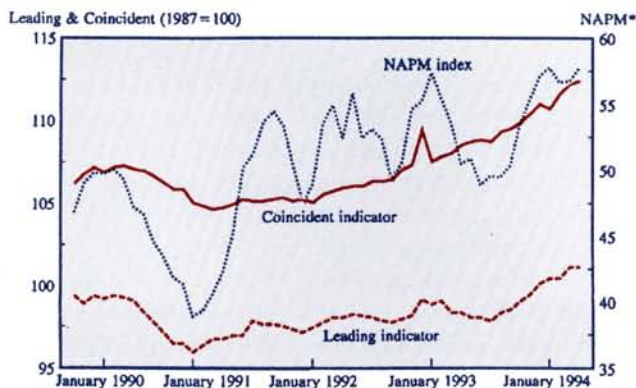
Sizable increases in inventories in both the first and second quarters have raised concerns that the economy may be slowing. The nation's Gross Domestic Product (GDP) grew at a 3.8 percent annual rate in the second quarter of 1994; however, final sales rose at a more modest 1.4 percent annual rate.

Gross Domestic Product and Change in Average Weekly Hours
(seasonally adjusted)



Interpreting inventory swings can be tricky, however. The stockpiling of inventories could suggest that businesses are expecting stronger sales soon or that the current quarter sales were below expectations. Clearly the buildup occurred in the nonauto retail sector; retailers and wholesalers accounted for 68 percent of the quarter's nonfarm stockpiling. Inventories at the nation's manufacturers stayed lean.

Cyclical Economic Indicators

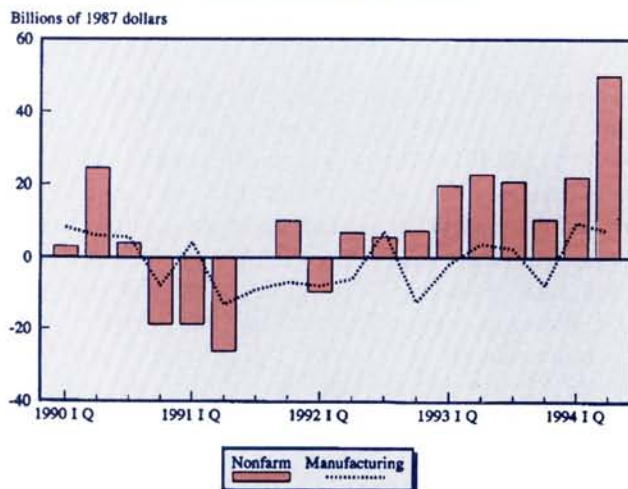


*A reading above 50 indicates that the manufacturing economy is generally expanding, while a reading below 50 indicates that it is generally declining.

Retailers who expected the pace of consumer expenditures in the second quarter to match the previous quarters' 4.7 percent average annual rate must have been disappointed. The pace of consumer spending was down in the second quarter, growing at a 1.4 percent annual average rate.

With consumers on the sidelines, it was the nation's exporting and construction industries that supplied the strength in the second quarter. Exports rose at a 15.8 percent annual rate, and the nation's nonresidential building industry soared after a long slumber. Spending on nonresidential construction jumped at a 19.6 percent average annual rate.

Change in Nonfarm Business and Manufacturing Inventories



The Department of Commerce Index of Leading Indicators continued its modest ascent, inching up 0.2 percent in June after rising 0.1 percent in May. This suggests that the nation's rate of growth may slow. Forecasters at the University of Michigan agree; their latest forecast, released in August, calls for GDP to grow at a slow 1.8 percent annual rate in the current third quarter and at a 2.2 percent annual rate in the year's final quarter.

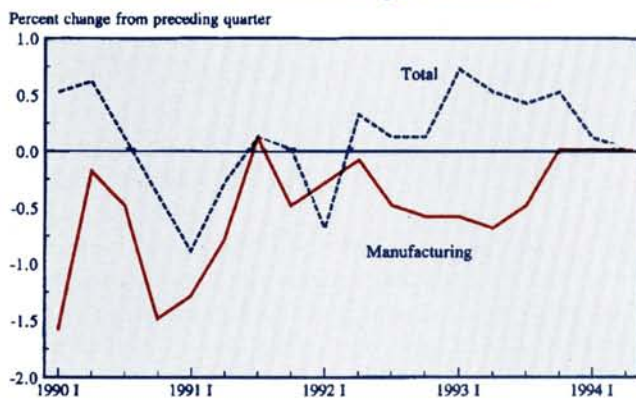
The nation's manufacturing sector is still working overtime, however. The National Association of Purchasing Management Index climbed to 57.8 percent in July from 57.5 percent in June and is at its highest level since July 1988. A reading over the 50 percent mark suggests a growing manufacturing sector. The national purchasing managers also report that production and employment are up and that prices are stable.

LABOR MARKETS

Recent employment gains and the resulting increase in income could refuel consumer markets in the coming months and cause a run on inventories. Although the nation's unemployment rate inched up to 6.1 percent in July, businesses created 259,000 new jobs in the month and over 1 million jobs in the second quarter. Approximately 178,000 jobs were created in the nation's goods-producing sector during the second quarter.

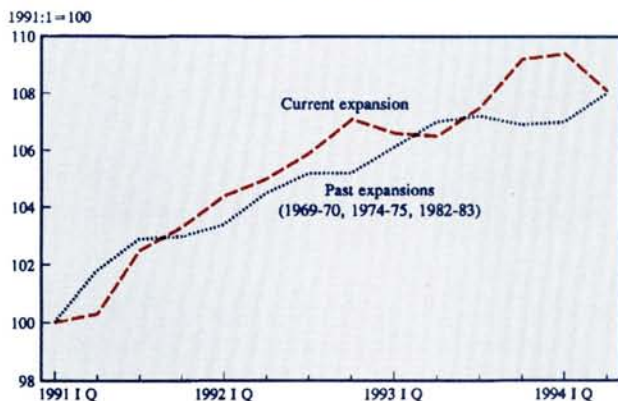
During the past several quarters, employment gains have been so great that they have surpassed output growth resulting in declines in labor productivity. In the second quarter, productivity was off 1.2 percent.

Total and Manufacturing Job Growth



Changes in productivity are partially cyclical. Typically, productivity climbs rapidly immediately after a recession, since new orders arrive when companies are using only their most efficient machines and workforces are at a minimum. As the economy continues to grow, however, more inefficient machines are added and more workers as well. Productivity then wanes, and unit labor costs can increase as wage increases surpass productivity gains.

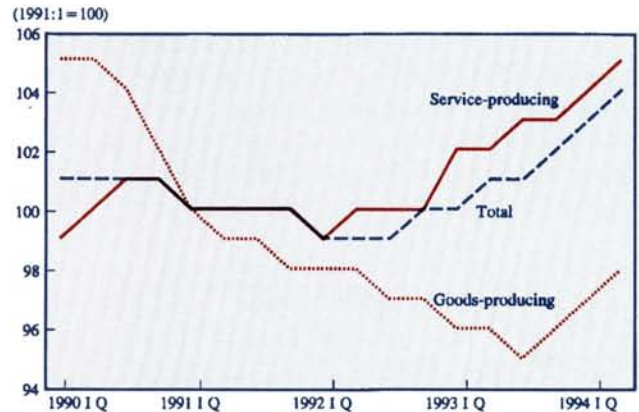
Labor Productivity Index



Due to the slower-than-normal employment growth during the current expansion period, labor productivity has been increasing over a longer period than usual. As shown in the Job Index, employment remained stable for nearly two years after the recession officially ended in April 1991.

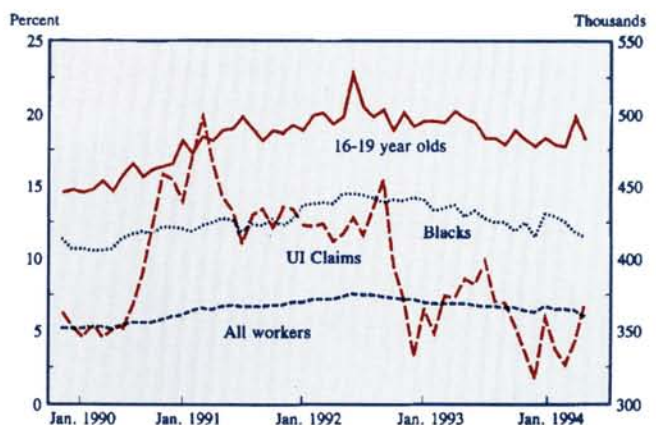
Manufacturing employment continued to plunge until the third quarter of 1993. In previous recovery periods, employment reached the pre-recession peak levels within ten months.

Job Growth Index (1991:1 = 100)



The nation's long period of productivity growth has helped nurture a sustained period of low inflation, kept U.S. products highly competitive in foreign markets, and allowed modest increases in workers' compensation, with only moderate increases in unit costs. The U.S. Labor Department reported that its employment cost index measuring wages and benefits rose 0.9 percent in the second quarter, following a 0.7 percent increase in the first quarter. Meanwhile, unit production costs rose 3.1 percent in the first quarter, but only 2.0 percent in the second. If productivity continues to lag in the coming quarters, unit production costs could rise, cutting into profits and pushing up prices.

Unemployment Rates and Initial Claims



The 6.1 overall unemployment rate is not shared by all sectors of the economy. During the second quarter, black unemployment stood at 11.5 percent, and teenage joblessness was still at 18.4 percent. In addition, unemployment varies greatly across states. As of May, West Virginia and California had unemployment rates of greater than 8.0 percent, while less than 3.0 percent of the labor force in South Dakota was unemployed.

INFLATION AND INTEREST RATES

Strong employment gains, a decline in productivity, and high factory capacity utilization point to the possibility of greater inflation in the coming months.

Currently, however, there is little evidence of rising prices. As measured by the Consumer Price Index (CPI), prices rose 2.7 percent during the twelve-month period ending in July 1994. Moreover, many analysts believe that due to the changing marketplace, in particular the advent of large discount stores and the changes in what we buy, the CPI overestimates consumer prices. Producer prices rose only 0.6 percent in the same period.

Price Indexes

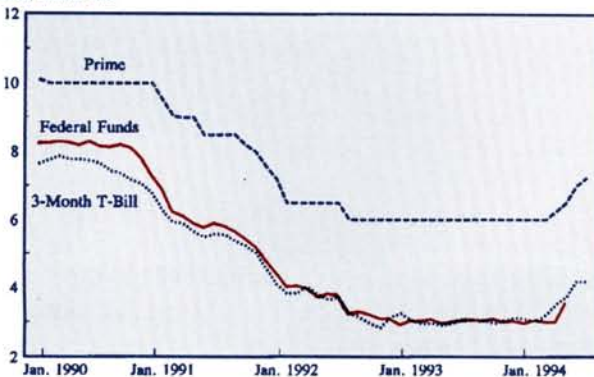
Percent change from 12 months ago



Still, the issue on the minds of the Federal Reserve Board (Fed) is not what the inflation rate is now but what it will be in six to nine months. Financial markets, especially the troubled bond market, and high commodity futures still point to higher inflationary expectations. Continuing its efforts to stay ahead of inflation, the Federal Reserve pushed up the federal funds rate by another 0.5 percentage points to 4.75

Short-Term Capital Rates

Percent, annual rate



percent. The federal funds rate, the rate banks charge each other for overnight loans, was just 3.0 percent last February. In addition, the Fed raised its less-important discount rate, the rate it charges for loans to banks, from 3.5 percent to 4.0 percent. Major banks quickly responded to the Fed action by raising their prime interest rates 0.5 percentage points to 7.75 percent.

Long-Term Capital Rates

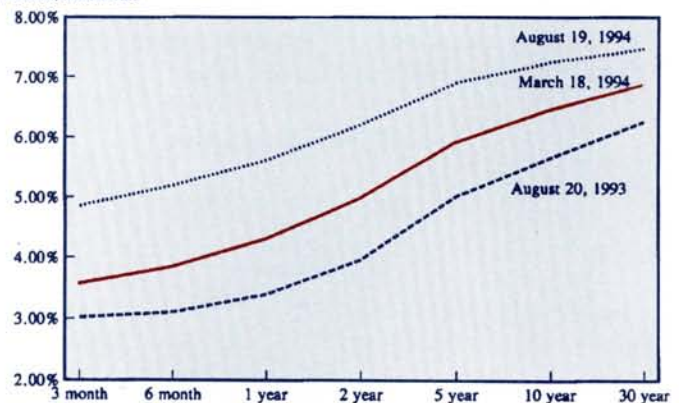
Percent, annual rate



As was true when the Fed raised short-term rates in the past, both the bond and stock markets responded favorably, indicating that investors are still concerned about future inflation as well. Moreover, some analysts, including Alan Greenspan, chairman of the Federal Reserve, are arguing that the falling dollar relative to the German mark and Japanese yen (see page 7) is due in part to higher inflationary

Yield Curves

Percent, annual rate

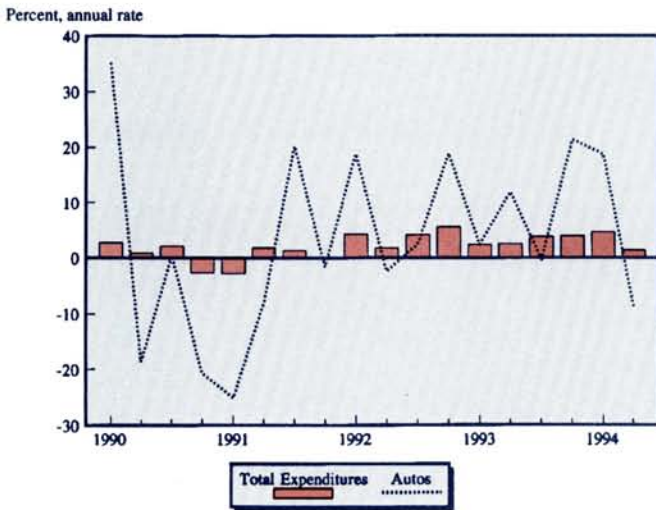


expectations in financing markets. In short, foreign investors, fearing high inflation in the future, may be discounting the value of the dollar today. If true, this could also have a secondary effect: Higher-priced imports and the resulting opportunity for domestic companies to increase their prices of products that compete against these imports could ignite another round of inflation.

CONSUMER SPENDING

Consumers stayed home in the second quarter of 1994. Consumer spending rose at a modest 1.4 percent average annual rate, down from the 4.7 percent annual pace recorded in the first quarter. Consumer spending on durable goods rose at a modest 1.2 percent annual rate. Furniture and appliance dealers recorded a good quarter, but consumer auto expenditures were down due to supply constraints. Consumer nondurable goods expenditures were more robust, increasing at a 2.1 percent annual rate.

Growth in Consumer Spending
(seasonally adjusted)

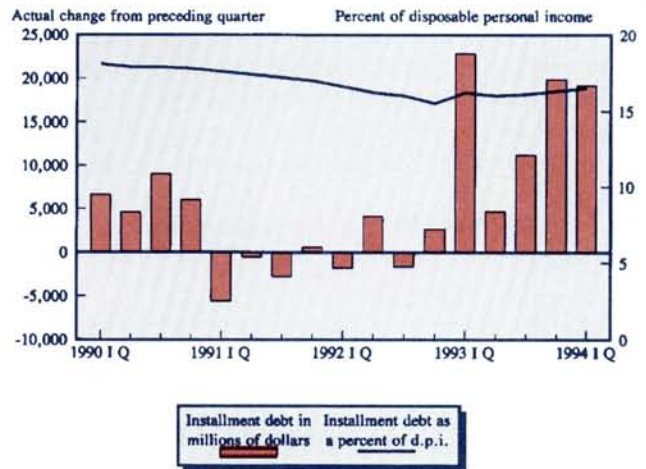


Two interrelated factors stand behind the slowdown in consumer spending. First, over the past several quarters there has been a substantial increase in installment debt, both in actual amount and as a percentage of disposable income. Consumers may thus be simply taking a breather and slowing now on the usage of credit cards. Second, there has been a slight drop in consumer expectations. Both the University of Michigan and the Conference Board report modest declines in their consumer expectation indices.

Nevertheless real per capita income grew in the quarter, rising 0.5 percent above the previous quarter's level. Personal savings as a percentage of disposable personal income rose to 4.0 percent.

At first glance, there appears to be a direct correlation between the large jump in inventories (see page 2) and the slowdown in consumer spending, suggesting that retailers and merchandise wholesalers simply overshot the market.

Consumer Debt



But while it's true that the nation's largest retailers reported that July was an unimpressive sales month, several analysts believe signs suggest fairly strong third and fourth quarters. Therefore, there is disagreement whether the inventory buildup is a sign of better things to come or proof of a disappointing second quarter.

Motor Vehicle Sales



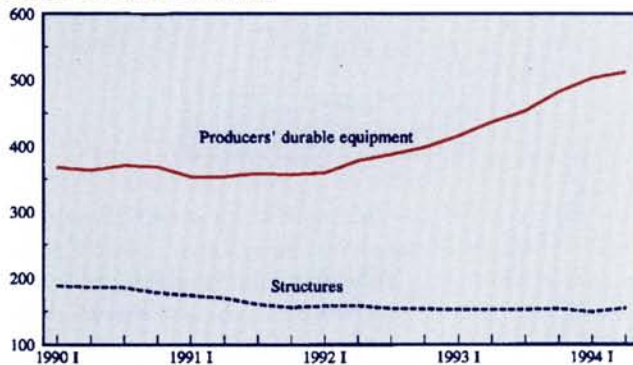
Sales of cars and light trucks in July dropped below June's pace, but most analysts agree that it was due to supply constraints created by the annual changeover of models and capacity constraints on some of the industry's best selling models. July's seasonally adjusted pace was 13.8 million vehicles, down from a 14.8 million pace recorded in June and well below industry analysts' projections of between 15.5 to 15.7 million vehicle units for the year.

INVESTMENT

Although interest rates are on the rise, they did not hinder a second-quarter investment blitz in nonresidential structures. Investment spending on nonresidential structures shot up at a robust 19.6 percent annual rate in the second

Plant and Equipment Expenditures (seasonally adjusted)

Billions of 1987 dollars, annualized rate



quarter. Declining vacancy rates for industrial and commercial buildings contributed to the jump in investment spending; however, commercial vacancy rates, nationwide, are still above 16 percent, and for industrial structures it remains over 20 percent.

New Residential, Commercial, and Industrial Construction (seasonally adjusted)

Billions of 1987 dollars, annualized rate

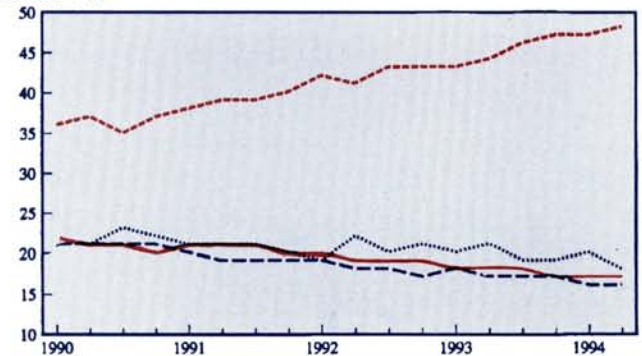


Spending on producer durables slowed to a 6.3 percent annual rate in the quarter after growing at annual rates of above 15 percent for the previous five quarters. Expenditures on computer and peripheral equipment continued to be brisk, growing at a 12.8 percent average annual rate.

Residential construction rose at a 7.3 percent annual pace in the second quarter, off from its 10 percent annual rate in the first quarter. Spending on single-family structures rose at a 9.5 percent annual rate. In April, new residential construction reached an annualized rate of \$241.2 billion, and commercial and industrial construction hit an annualized rate of \$72.9 billion (both in 1987 dollars). However, sales of new single-family homes dropped significantly in June, suggesting that rising interest rates are taking their toll in the housing market. New home sales fell 14.1 percent to an annual

Nonresidential Investment Composition

Percent of total



rate of 591,000 units in June, substantially below the May rate of 688,000 units. Sales of existing single-family homes fell slightly; in June, sales grew at the annual rate of 3.96 million units, down from May's rate of 4.11 million units. Thirty-year, fixed-rate mortgages rose to 8.7 percent from 7.2 percent in February. Some analysts are predicting that rates could reach 9 percent by year end. If true, mortgage rates would still be affordable for most families.

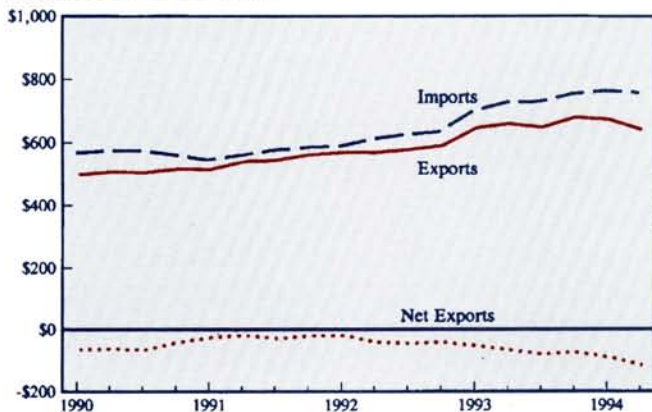
INTERNATIONAL TRADE

The depreciating dollar, relative to the Japanese yen, and the improving world market can be credited for a 15.8 percent average annual rate in exports of goods and services. The dollar has also fallen recently against the German mark; however, it may take up to eighteen months before that will have a noticeable impact on trade. Industrial production is on the rise in both Western Europe and Japan, promising improving conditions for our exports. Given that industrial materials and supplies, automotive products, capital goods, and consumer durables account for 62 percent of the nation's total exports of goods and services, the improving international market is bringing greater business opportunity to the strong manufacturing base of the Great Lakes region. The nation continued to run trade surpluses on industrial supplies, capital equipment, and services in the second quarter.

Imports, nevertheless, grew at an even higher 18.9 percent, causing the nation's trade gap to widen. In the second quarter, net exports stood at just under a negative \$110 billion in current dollars on an annualized rate basis. For the first five months of this year, the trade deficit totaled \$41.96 billion compared to \$25.84 billion last year.

U.S. Trade in Goods and Services
(seasonally adjusted)

Billions of 1987 dollars, annualized rate

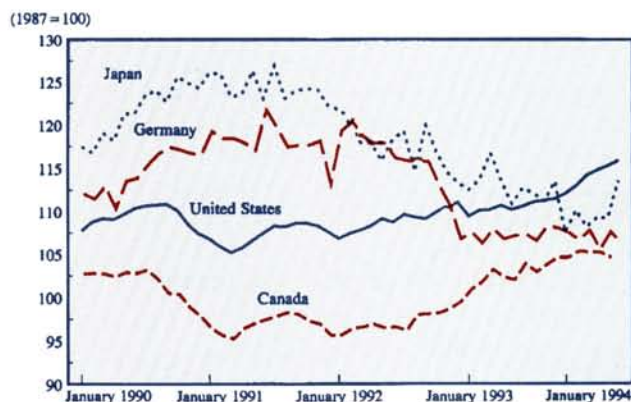


When the value of the U.S. dollar is compared to a composite of our trading partners' currencies, its stability is rather surprising, given the recent concern about its depreciation. In particular, the dollar has risen against the Canadian dollar and the Mexican peso in the recent period, causing consternation among some in the paper and automotive sectors.

The greenback's weakness is evident when it is compared to the Japanese yen and German mark. The net impact of the dollar's slide against these currencies may never be clear. For firms that are exporting to Japan or Germany or

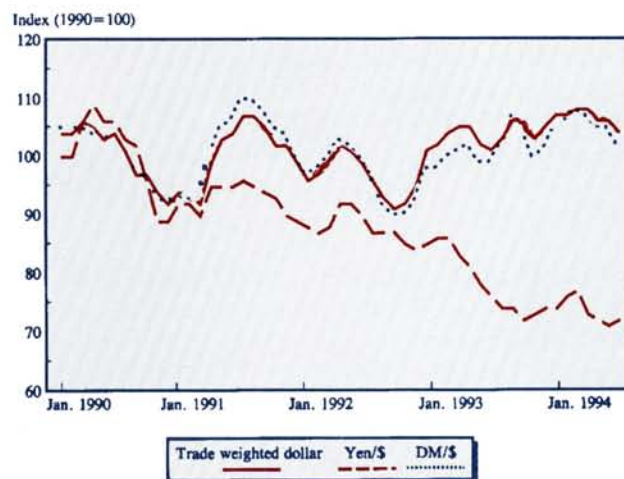
are competing with firms exporting from these countries, the devalued dollar is a plus. Second, the falling dollar has contributed to the decision of Japanese-owned auto firms to switch more of their production to the United States, increase their reliance on U.S. suppliers, and, perhaps most important in the long term, press for higher-quality production standards from U.S. firms.

International Industrial Production
(seasonally adjusted)



On the negative side, for domestic industries that rely on imports from either of these two countries, the falling dollar means higher costs in a domestic environment still hostile to price increases. Finally, in the financial markets, the falling dollar is contributing to foreign investors' continuing reluctance to invest in dollar-valued assets. Higher interest rates may be necessary to encourage foreign investors to buy dollar-valued assets if they fear inflation will increase in the short term.

Trade-Weighted Dollar



For firms in the Great Lakes states, the short-term advantages of a low dollar/yen ratio and growing international markets are clear; however, their long-term outlook is growing more uncertain as domestic interest rates and the price of imported suppliers may rise.

MICHIGAN ECONOMY

The employment outlook for Michigan and the other Great Lakes states continues to be positive. Export markets are improving, and the auto industry is still racing, although model changeover and capacity constraints slowed production. In short, all indicators are pointing to further job gains in Michigan during the coming months.

During the twelve months ending in May, employment gains were reported across all of the Great Lakes states. Illinois led the pack with a 3.1 percent increase in total employment, followed by Indiana. Michigan ranked fourth in the five-state region.

**Percent Change in Total Employment
May 1993 to May 1994**



Each figure represents an employment addition of 20,000 workers.

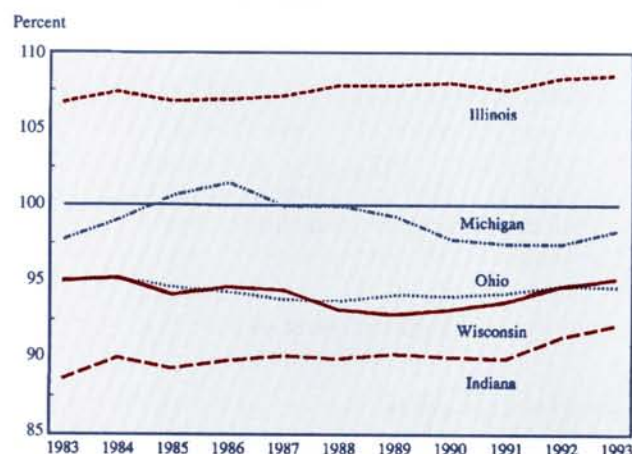


Total statewide employment rose 0.5 percent in the second quarter, on top of a 0.9 percent gain reported in the first quarter. Employment grew a more sustainable 0.4 percent in the state's goods-producing sectors in the second quarter, after jumping 1.9 percent in the first quarter. On average, production workers are still logging in long workweeks. In the second quarter, the average workweek was 44.4 hours, down just slightly from 44.6 hours reported in the previous quarter. For more detailed employment statistics see Table A-1 on page 22 in the Appendix.

In the state's auto sector, hours are still long and employment up. In June, production workers in auto stamping,

assembly, and parts production logged slightly more than 46 hours per week, on average, which was up 5 percent over the same period last year. Employment in the state's auto-dominated transportation equipment industry rose 5.3 percent over the past year. Moreover, employment in the auto-related plastics and fabricated metal industries grew 11.8 percent and 4.2 percent, respectively, during the same time period.

Per Capita Income as Percent of U.S.



For the Big Three, the second quarter will be long remembered. General Motors, enjoying a sharp turnaround in its North American auto operations, posted a quarterly

**Table 1
Total Personal and Per Capita Income**

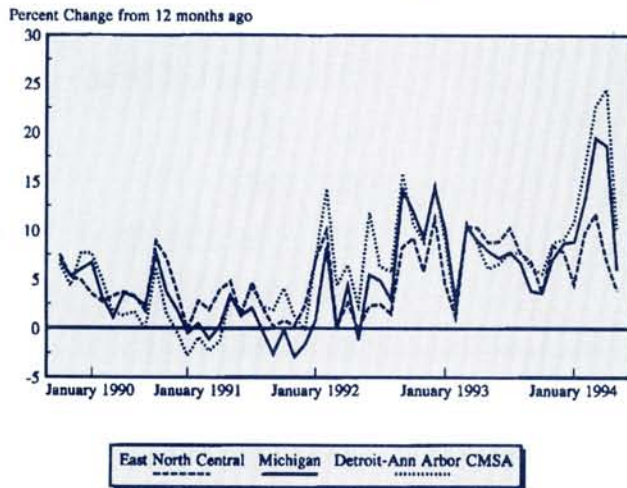
Great Lake Region	1992	1993	Percent change
ILLINOIS			
Total Personal Income	\$252,858	\$264,152	4.5
Per Capita Personal Income	21,774	22,582	3.7
INDIANA			
Total Personal Income	103,922	109,701	5.6
Per Capita Personal Income	18,366	19,203	4.6
MICHIGAN			
Total Personal Income	184,765	193,849	4.9
Per Capita Personal Income	19,586	20,453	4.4
OHIO			
Total Personal Income	209,851	218,371	4.1
Per Capita Personal Income	19,040	19,688	3.4
WISCONSIN			
Total Personal Income	95,049	99,805	5.0
Per Capita Personal Income	19,038	19,811	4.1

NOTE: Total personal income is in millions of current dollars.

profit of \$1.92 billion, its best ever. Ford, aided by the improving European economy, also reported its best quarterly performance ever, a profit of \$1.71 billion. Finally, Chrysler reported profits of \$956 million. The current average earnings per vehicle is clearly in Chrysler's favor due to their hold on the more profitable light truck/van market. Chrysler is making slightly over \$1,300 per vehicle, while General Motors is earning \$557 on average and Ford is making \$643.

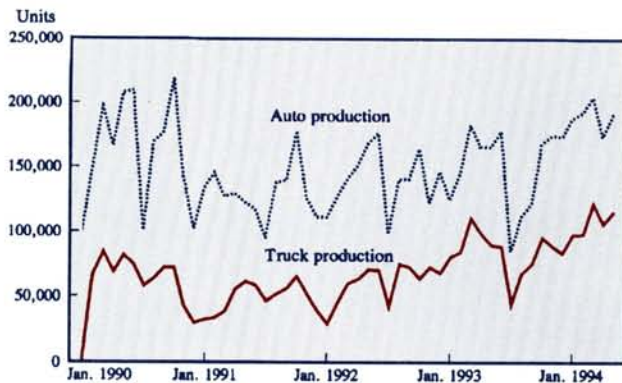
create 850 additional jobs in the process. Toyota, which recently doubled its vehicle-making capacity at its Kentucky plant, is planning to increase its purchases of U.S. built parts nearly 40 percent in the next three years from \$4.65 billion

Percentage Change in Retail Sales from 12 Months Ago

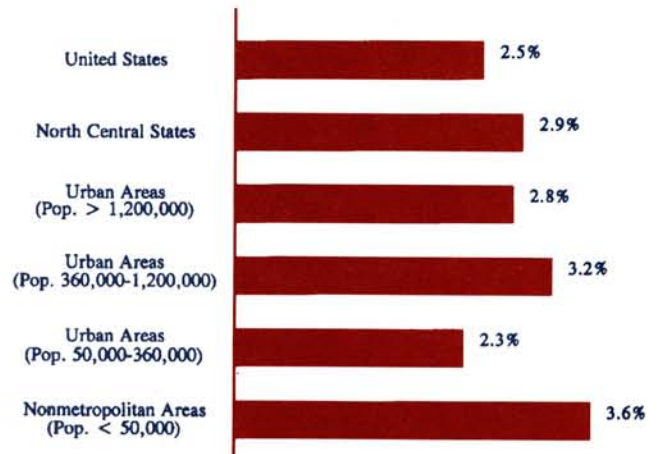


Good news is not limited to the Big Three. Honda Motors announced plans for an 18 percent increase in its U.S. production capacity by 1997 and a 50 percent jump in its engine-making capacity by 1998. Honda is expected to

Michigan Motor Vehicle Production



Percent Change in Regional CPI in North Central States (June 1993 to June 1994)



to \$6.45 billion. In Michigan alone, Toyota announced plans to buy more than \$350 million from 37 companies, including 11 new suppliers this year if the suppliers can meet their production schedules and quality levels. In fact, according to ELM International Inc., 185 of the 493 auto suppliers in Michigan are selling to Japanese transplant facilities, and 113 are exporting to Japan.

Employment gains were reported across all the major service-producing sectors except for transportation and public utilities. Government employment was off by 0.3 percent.

The state's unemployment rate dropped to 5.8 percent. As of May, Michigan had the 26th lowest unemployment rate in the nation. Moreover, the state's economic indicators are positive. Its Index of Leading Indicators rose 3.3 percent and the Detroit Index of Help-Wanted Advertising shot up by 23.5 percent during the second quarter. In short, the outlook for Michigan and the Great Lakes states looks positive.

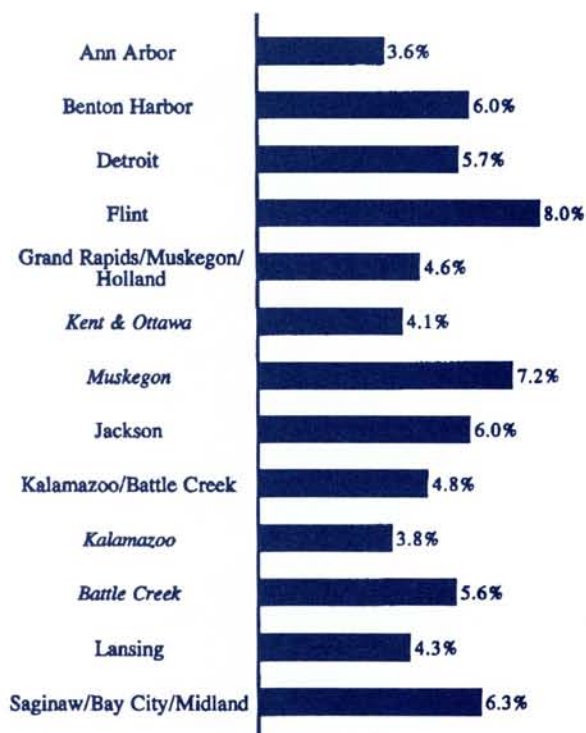
WEST MICHIGAN ECONOMY

Total employment rose 0.5 percent during the second quarter in the three metropolitan areas of West Michigan. Driven by a robust goods-producing sector, the regional employment outlook calls for further employment gains in the last half of the year. We are forecasting total employment to increase 0.6 percent in the current third quarter and 0.8 percent in the last quarter of 1994.

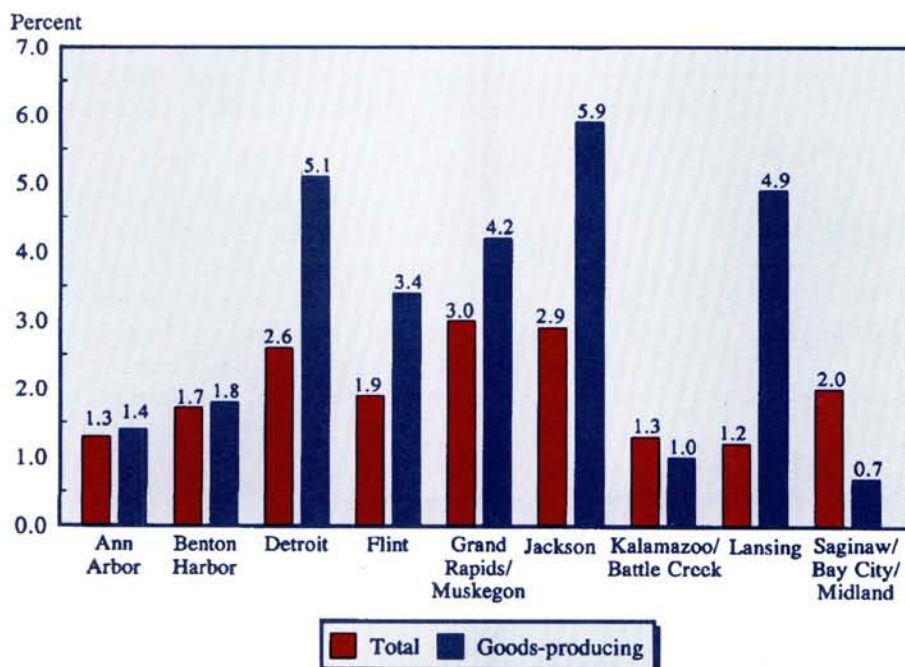
Employment in the region's goods-producing industries rose 0.8 percent in the second quarter, on top of a 1.2 percent gain in the previous quarter. Construction and durable goods manufacturing experienced the most growth in the quarter, growing 3.4 percent and 0.6 percent, respectively. For more detailed employment statistics see Table A-2 on page 23 in the Appendix.

Employment growth in the region's service-producing sector increased only 0.4 percent and continued to lag behind its smaller goods-producing industries. Last quarter, we predicted employment in the region's service-producing sector to grow by a higher 1.2 percent due to both increased consumer spending supported by the area's robust manufacturing sector and to the prospect of an excellent tourist season. In fact, employment remained flat in the retail sector. One explanation for the lack of employment growth in retail trade could be that the increase in demand is being met by increasing the hours of existing employees.

**Michigan Metropolitan Areas
2nd Quarter Unemployment Rates
(seasonally adjusted)**

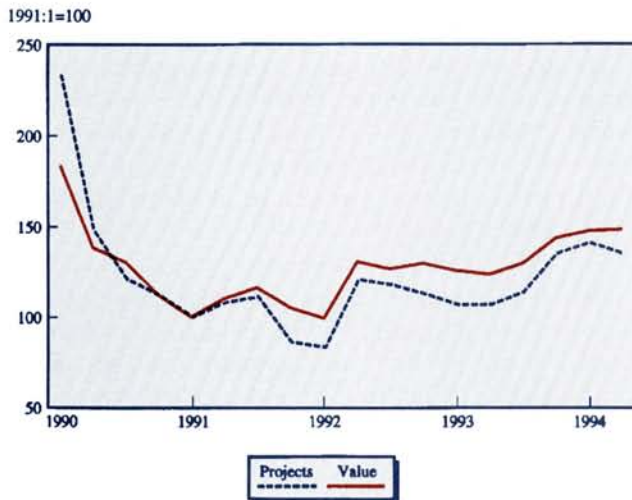


**Metropolitan Comparison
Percent Change in Employment 2nd Q 1993 to 2nd Q 1994**



Although employment gains were fairly modest in the second quarter, the region's overall unemployment rate plunged to 4.7 percent from 6.1 percent in the first quarter due to a large 21.9 percent decline in the number of unemployed workers. The drop coincides with a 6.5 percent increase in the region's Help-Wanted Advertising Index, suggesting that area employers are finding it necessary to increase their hiring efforts.

West Michigan Residential Construction Trends



Although economists disagree about what level of unemployment constitutes full employment, most would agree that it is no lower than 5 percent. There will always be unemployment, even in periods of full employment, as workers move from one job to another and as new workers enter the workforce. The bottom line, though, is that the West Michigan economy is at full employment. While this is good news, it is causing area firms to look at other areas to expand. Donnelly Corporation's decision to locate its new plant in Newaygo, north of the Grand Rapids MSA and Haworth's decision to locate its new plant in Ludington were driven in part by labor supply factors. In addition, employers are simply finding it harder and harder to find qualified workers among the decreasing number of applicants.

The region's leading indicators are positive, but not robust. In fact, all the local components of the regional Index of Leading Indicators were down, although the Index rose 1.7 percent on the strength of its national components.

Nevertheless, the area's Employment Service Index, based on our June survey of temporary employment firms and publicly funded employment service agencies, stood at 76.4, well above the 50-point mark that indicates growing job placements. Moreover, participants in the June survey were asked about future conditions and the resulting Future Index stood at an even higher 95.8.

Major Economic Developments

Battle Creek Area

Ralcorp Holdings announced an \$8 million capital expansion plan for its Ralston Food plant.

Benton Harbor Area

Lakeshore Manufacturing and Ausco Products will begin improvement projects resulting in an additional 47 new jobs.

Grand Rapids Area

Phoenix Designs Inc., a subsidiary of Herman Miller, will construct a new \$10 million plant, expanding the local workforce by another 100 to 150 people.

Prince Inc. announced two expansions, totaling \$20 million, that will create over 500 engineering and production jobs in the next two to three years.

Kalamazoo Area

Bangor Industries, formerly Du-Well Products, will be reopened this fall and employ up to 200 workers.

Richard Allan Medical Industries will spend \$1.2 million to more than double the size of its facility on M-89 and enlarge its workforce by 40 more people.

Glassmaster Company recently acquired the former Master-Craft plant and will hire 55 new employees.

Muskegon Area

Knoll group hired an additional 50 hourly workers, increasing its current permanent staff level of 546.

Teledyne Continental Motors will share a major research development project, allowing the 150 workers at its Technical Center to remain employed for the next ten years.

Briggs & Stratton Corporation, a Fortune 500 manufacturer of lawnmower engines, is opening a new plant employing 150 people in Ravenna.

BENTON HARBOR MSA

Total employment in the Benton Harbor MSA declined by a slight 0.2 percent in the second quarter, defying our last forecast of further employment growth. Nevertheless, the area's unemployment rate fell 1.6 percentage points to 6.0 percent. Area economic indicators and solid industrial trends in the region suggest that the quarter's decline will not be repeated. We forecast that employment will expand by 0.5 percent in the current third quarter and by a further 0.8 percent in the final quarter of 1994.

Goods-producing employment in the Benton Harbor area fell by a modest 0.4 percent in the second quarter, mostly attributable to a 0.6 percent drop in durable goods manufacturing. Despite the second quarter decline in employment, the area's fabricated metals and plastics industries have experienced employment gains of 13.6 percent and 8.9 percent, respectively, during the past four quarters.

In light of the robust capital goods and light trucks forecast, it is not surprising that Ausco Products, a light trucks, agricultural vehicles, and construction equipment parts supplier, is beginning a \$2.5 million expansion project and plans to hire 22 new workers to its current workforce of 220 within two years. Moreover, the improving furniture market caused Lakeshore Manufacturing to announce a major expansion which will result in the hiring of 25 additional workers by year end.

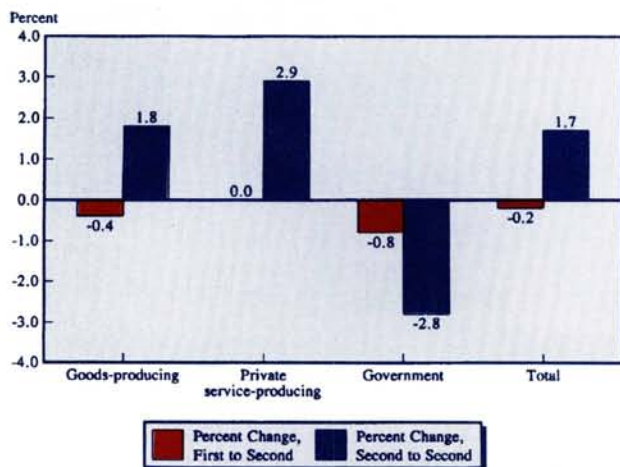
Zenith Data Systems (ZDS), looking to regain its footing in the highly competitive computer industry, asked for "cost containment" concessions from its unionized workforce. A tentative agreement for a one-year contract extension between ZDS and United Steelworkers was reached in late July, allowing the current contract to remain in effect until June 30, 1996.

Employment in the area's service-producing sector remained unchanged in the second quarter, while employment in government fell by 0.8 percent. Although there was little movement in service employment during the quarter, employment in business services has increased 6.6 percent over the past four quarters.

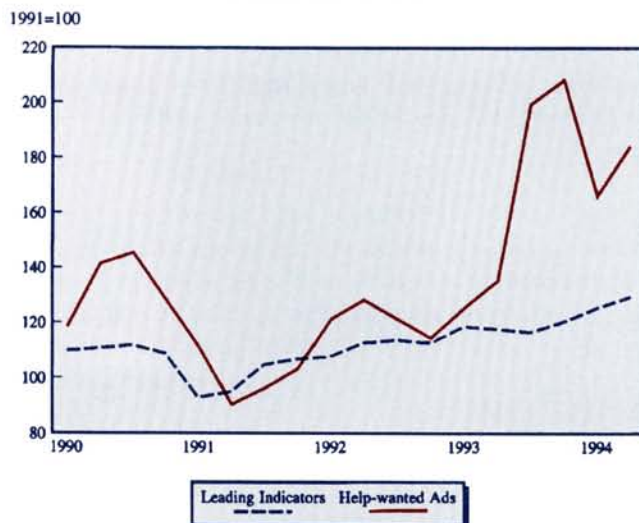
Despite the modest decline in total employment, the number of unemployed individuals fell by 21.9 percent and the area's unemployment rate dropped to 6.1 percent. In fact, according to the most recent Manpower report, one-third of area businesses said they will hire new workers between July and August, with 60 percent expecting to maintain their current staff levels.

The area's economic indicators support the Manpower survey results. The area's Index of Leading Indicators was up 3.2 percent, and its Index of Help-Wanted Advertising increased by 10.8 percent. Finally, the June reading of its Employment Service Index stood at 69.0, still above the 50-point mark that indicates increased hiring.

**Benton Harbor MSA
Employment Growth
(seasonally adjusted)**



**Benton Harbor MSA
Economic Indexes**



Benton Harbor MSA
(Adjusted for seasonal variations)

Measure	1994 Second quarter	1994 First quarter	Percent change 1st to 2nd	1993 Second quarter	Percent change 2nd to 2nd	Forecast 1994 ^b			
						Third quarter	Percent change 2nd to 3rd	Fourth quarter	Percent change 3rd to 4th
Employment									
Goods-producing	22,280	22,360	-0.4	21,890	1.8	22,380	0.4	22,600	1.0
Construction & mining	1,890	1,880	0.5	1,820	3.8				
Manufacturing	20,390	20,480	-0.4	20,070	1.6				
Durable goods	14,790	14,880	-0.6	14,700	0.6				
Nondurable goods	5,600	5,600	0.0	5,360	4.5				
Private service-producing	36,730	36,740	0.0	35,690	2.9	36,980	0.7	37,340	1.0
Transportation & pub. utilities	2,830	2,840	-0.4	2,770	2.2				
Wholesale trade	2,250	2,250	0.0	2,160	4.2				
Retail trade	12,340	12,360	-0.2	12,040	2.5				
Finance, ins. & real estate	2,610	2,610	0.0	2,500	4.4				
Services	16,690	16,680	0.1	16,220	2.9				
Government	8,950	9,020	-0.8	9,210	-2.8	8,930	-0.2	8,920	-0.1
Total	67,950	68,120	-0.2	66,790	1.7	68,290	0.5	68,860	0.8
Unemployment									
Number unemployed	4,970	6,360	-21.9	6,010	-17.3				
Unemployment rate	6.0	7.6	-21.1	7.3	-17.8				
Local Indexes									
Help-wanted ads	184	166	10.8	130	41.5				
Leading indicators	130	126	3.2	118	10.2				
Local components:									
Average weekly hours	42.6	42.8	-0.5	43.2	-1.4				
UI initial claims	197	197	0.0	206	-4.4				
New dwelling units ^a	578	556	3.9	497	16.2				

SOURCES: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from *Benton Harbor Palladium*, and employment data from MESC. National components of the leading indicators in Table A-5.

NOTE: Categories may not sum to total due to rounding.

a. New dwelling unit data are seasonally adjusted annual rates.

b. Percent change from the preceding quarter.

Industry Employment Change
Second Quarter-Second Quarter
(Unadjusted for seasonal variations)

Industry	2nd Q 94	2nd Q 93	Percent change	Industry	2nd Q 94	2nd Q 93	Percent change
Goods-Producing	22,300	21,833	2.1	Service-Producing	46,167	45,433	1.6
Primary metals	2,000	1,900	5.3	Business services	3,767	3,533	6.6
Fabricated metals	1,667	1,467	13.6	Health services	4,967	4,800	3.5
Industrial machinery	4,867	4,933	-1.4				
Transportation equipment	--	--	--	Government	9,000	9,267	-2.9
Food & kindred products	1,100	1,100	0.0	Federal government	433	400	8.3
Printing & publishing	1,800	1,800	0.0	State government	567	567	0.0
Plastics & rubber	2,033	1,867	8.9	Local government	8,000	8,300	-3.6
				Local gov't health serv	500	500	0.0
				Local gov't education	4,733	5,033	-6.0

GRAND RAPIDS–MUSKEGON–HOLLAND MSA

Total employment in the Grand Rapids-Muskegon-Holland MSA increased by 3,500 individuals or by 0.7 percent during the second quarter of 1994. Further employment gains are forecasted during the last half of 1994. Total employment is expected to increase by another 0.6 percent in the current third quarter and an additional 0.9 percent in the final quarter of the year.

The area's second quarter employment growth was primarily driven by a strong goods-producing sector. As employment grew by nearly 1,800 workers in goods-producing industries, the influence of the expanding auto sector on the area was clearly evident. For instance, employment in primary and fabricated metals grew by 8.7 percent and 4.7 percent, respectively, over the four-quarter period ending in the second quarter. Coinciding with these gains was a tremendous explosion in plastics and rubber, where more than 1,000 workers were added between the second quarters of 1993 and 1994.

Equally important as the outstanding performances of auto-related industries in the Grand Rapids-Muskegon-Holland MSA were the over 650 new positions created in the furniture and fixtures industry over the past four quarters. Although office furniture remains highly competitive, area

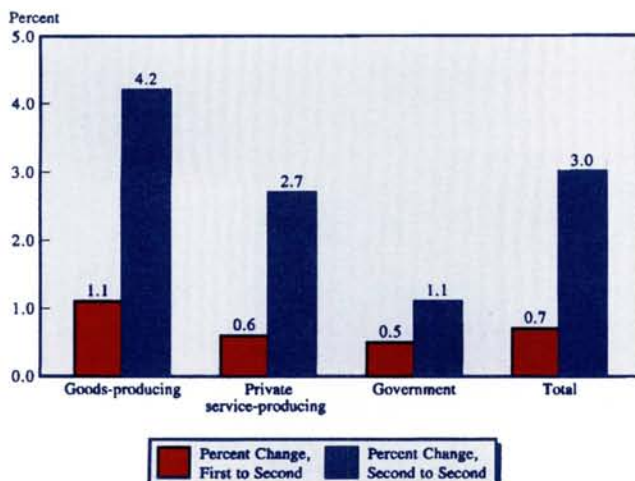
furniture manufacturing companies are engaged in a joint effort through the West Michigan Office Furniture Council to eliminate their separate procedure manuals and to design a single set of guidelines that will govern the manner in which furniture supplies are produced. The end result could be a dramatic reduction in paperwork.

Employment in private service-producing industries increased by 0.6 percent in the second quarter of 1994. Most of this gain was due to a 1.2 percent increase in services. During the most recent four-quarter period, almost 3,700 new jobs were created in the area's business services sector, an increase of 17.4 percent.

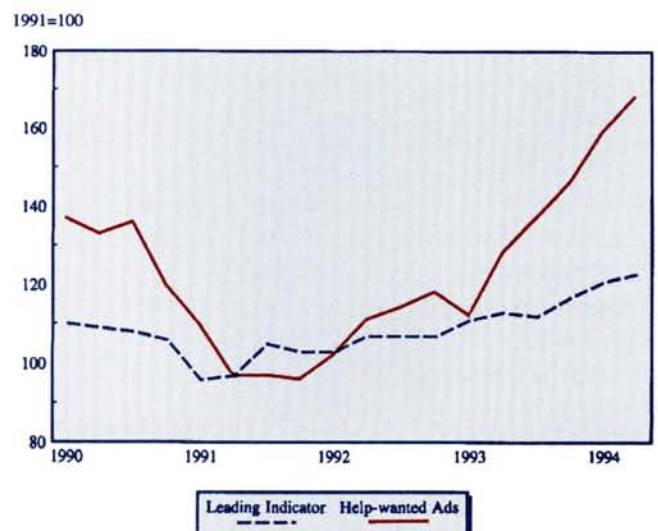
The area's unemployment rate dropped to 4.6 percent in the second quarter, as the number of unemployed workers plunged by nearly 25 percent.

Local economic indicators support our forecast for further but more modest employment growth in the third and fourth quarters of 1994. The area's Index of Help-Wanted Advertising rose 5.7 percent and its Index of Leading Indicators was up 1.7 percent, although all of its local components were off in the quarter.

**Grand Rapids–Muskegon–Holland MSA
Employment Growth
(seasonally adjusted)**



**Grand Rapids–Muskegon–Holland MSA
Economic Indexes**



Grand Rapids–Muskegon–Holland MSA
(Adjusted for seasonal variations)

Measure	1994 Second quarter	1994 First quarter	Percent change 1st to 2nd	1993 Second quarter	Percent change 2nd to 2nd	Forecast 1994 ^b			
						Third quarter	Percent change 2nd to 3rd	Fourth quarter	Percent change 3rd to 4th
Employment									
Goods-producing	159,360	157,580	1.1	152,950	4.2	160,030	0.4	161,380	0.8
Construction & mining	20,310	19,360	4.9	19,030	6.7				
Manufacturing	139,050	138,220	0.6	133,920	3.8				
Durable goods	90,620	90,030	0.7	87,200	3.9				
Nondurable goods	48,430	48,190	0.5	46,720	3.7				
Private service-producing	266,660	265,170	0.6	259,630	2.7	268,790	0.8	271,730	1.1
Transportation & pub. utilities .	17,130	17,060	0.4	16,750	2.3				
Wholesale trade	29,720	29,730	0.0	29,220	1.7				
Retail trade	84,410	84,290	0.1	83,830	0.7				
Finance, ins. & real estate	19,220	19,260	-0.2	19,090	0.7				
Services	116,180	114,840	1.2	110,750	4.9				
Government	51,240	50,970	0.5	50,680	1.1	51,300	0.1	51,320	0.0
Total	477,260	473,720	0.7	463,260	3.0	480,120	0.6	484,430	0.9
Unemployment									
Number unemployed	23,840	31,530	-24.4	30,630	-22.2				
Unemployment rate	4.6	6.0	-23.3	5.9	-22.0				
Local Indexes									
Help-wanted ads	168	159	5.7	126	33.3				
Leading indicators	123	121	1.7	112	9.8				
Local components:									
Average weekly hours	42.7	43.0	-0.7	42.0	1.7				
UI initial claims	1,209	1,170	3.3	1,293	-6.5				
New dwelling units ^a	5,013	5,578	-10.1	4,489	11.7				

SOURCES: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from *Grand Rapids Press* and *Muskegon Chronicle*, and employment data from MESIC. National components of the leading indicators in Table A-5.

NOTE: Categories may not sum to total due to rounding.

a. New dwelling unit data are seasonally adjusted annual rates.

b. Percent change from the preceding quarter.

Industry Employment Change
Second Quarter–Second Quarter
(Unadjusted for seasonal variations)

Industry	2nd Q 94	2nd Q 93	Percent change	Industry	2nd Q 94	2nd Q 93	Percent change
Goods-Producing	159,500	153,233	4.1	Auto dealers & service	8,033	8,167	-1.6
Furniture & fixtures	22,267	21,600	3.1	Eating & drinking places	28,467	28,167	1.1
Primary metals	5,000	4,600	8.7	Depository institutions	7,233	7,167	0.9
Fabricated metals	20,633	19,700	4.7	Business services	24,800	21,133	17.4
Industrial machinery	18,433	17,700	4.1	Health services	33,767	33,467	0.9
Transportation equipment	7,767	7,600	2.2	Educational services	7,500	7,367	1.8
Food & kindred products	10,933	10,833	0.9	Social services	8,833	8,467	4.3
Apparel & other textiles	6,000	6,067	-1.1	Government	51,567	51,000	1.1
Printing & publishing	5,933	5,933	0.0	Federal government	4,000	3,600	11.1
Plastics & rubber	8,600	7,567	13.7	State government	5,500	5,400	1.9
Service-Producing	318,667	311,000	2.5	Local government	42,067	41,967	0.2
Gen'l merchandise stores	15,867	15,333	3.5	Local gov't health serv	2,167	2,167	0.0
Food stores	10,400	10,633	-2.2	Local gov't education	26,133	25,967	0.6

Grand Rapids Area (Kent-Ottawa Counties)

Total employment in the Grand Rapids area (Kent and Ottawa Counties) grew by an estimated 0.8 percent in the second quarter. We forecast area employment to grow another 0.6 percent in the current third quarter and an additional 0.9 percent in the fourth quarter.

Employment in the area's goods-producing sector rose an estimated 1.1 percent in the second quarter. Employment in the service-producing and government sectors rose a more moderate 0.6 percent. The area's strong employment gains pushed its unemployment rate down to 4.1 percent during the quarter, a level most economists would agree is at or below full employment.

Business conditions are improving across most industrial sectors, including the key office furniture industry. Herman Miller reported a profitable second quarter, after instituting numerous cost-cutting and reorganization maneuvers. Moreover, its subsidiary, Phoenix Designs, Inc., will construct a new \$10 million plant that will eventually employ an additional 100 to 150 workers. Phoenix originally focused on the refurbished office furniture market, but it is now aiming its sights on products for the new low- to mid-priced office furniture market.

On the other hand, Steelcase, Inc. announced its first annual loss of \$70 million for fiscal year 1993 and is offering early retirement packages to 2,000 salaried workers. This severance proposal is a significant element of a comprehensive effort to cut costs by almost 30 percent in the next four years.

The Grand Rapids area is also benefiting from the booming automotive sector. For example, Prince, Inc., a producer of automotive interior parts, announced two expansions totaling \$20 million that will create over 500 jobs in the next two to three years, including 300 engineers in the Technical Center and 200 production workers in a new manufacturing plant.

In the area's service-producing sector, however, 110 employees of Ameritech Corporation's Customer Service Center in Wyoming have been offered early retirement or job transfers to Kalamazoo.

The area's local indicators were mixed in the quarter. Its Index of Help-Wanted Advertising increased 4.9 percent, and its Employment Service Index for June stood at a robust 92.6, well above the 50-point mark that indicates improving hiring conditions. Still, initial unemployment insurance claims were up and the number of new dwelling units put under construction down.

Grand Rapids Area

	1994 Second quarter	1994 First quarter	Percent change 1st to 2nd	1993 Second quarter	Percent change 2nd to 2nd	Forecast 1994 ^b			
						Third quarter	Percent change	Fourth quarter	Percent change
Employment									
Goods-producing	121,660	120,330	1.1	117,000	4.0	122,150	0.4	123,140	0.8
Service-producing	224,590	223,200	0.6	217,480	3.3	226,400	0.8	228,890	1.1
Government	36,990	36,760	0.6	37,380	-1.0	37,080	0.2	37,150	0.2
Total employment	383,240	380,290	0.8	371,310	3.2	385,630	0.6	389,180	0.9
Unemployment									
Number	16,460	21,500	-23.4	20,620	n.c.				
Rate	4.1	5.4	-24.1	5.4	n.c.				
Indicators									
Help-wanted ads.	171	163	4.9	129	32.6				
UI claims	938	901	4.1	1,007	-6.9				
New dwelling units ^a	4,239	4,686	-9.5	3,716	14.1				
		Latest month		Previous month					
Employment Service Index*		92.6 (June)		83.1 (May)					
Purchasing Management Index*		73.5 (July)		75.0 (June)					
NOTES: *Index = (percent survey reporting improvement) + 0.5 (percent survey reporting no change). n.c. = not comparable.									
a. Seasonally adjusted annual rate.									
b. Percent change from preceding quarter.									

Muskegon Area

(Muskegon County)

Total employment grew by an estimated 0.6 percent in the second quarter, due to solid employment gains in the area's goods-producing and service-producing sectors. Employment is expected to continue to grow in the final half of 1994 at approximately the same rate.

Like the Grand Rapids area, Muskegon County also experienced a considerable decline in its unemployment rate. The ranks of the unemployed dropped by 1,500 individuals, as the area's unemployment rate fell to 7.2 percent in the second quarter of 1994.

Employment in the area's goods-producing sector rose by an estimated 1.2 percent in the second quarter. The gains were due to generally improving conditions in the auto and office furniture industries. The Knoll Group added 50 workers in June. Employment in the area's service-producing sector increased by an estimated 0.4 percent, while employment in government remained unchanged.

Recent reports offer good news about the area's manufacturing base. Teledyne Continental Motors has agreed to

divide a major research and development project with a Minneapolis firm, which will keep its Norton Shores Technical Center and its 150 workers busy for the next ten years. Second, workers at Howmet, the county's largest employer, ratified a three-year contract that ties wages with productivity improvement, and more important, establishes a more cooperative atmosphere at the company. On the negative side, however, Scott Paper Company has put S.D. Warren on the auction block. Analysts do not foresee the plant closing, although it has reduced its employment level by 150 workers over the past seven months.

Our forecast for continued employment growth rests on the continuing strong manufacturing conditions in the Great Lakes region. It is also supported by a 2.1 percent gain in the area's Help-Wanted Advertising Index, a very modest decline in unemployment insurance claims, and a 76.7 reading in the July Employment Service Index. A reading of over 50 in the index indicates an increase in hiring. On the negative side, the number of new dwelling units put under contract fell by 23 percent, but that comes after a larger 31.6 percent increase recorded in the previous quarter.

Muskegon Area

Measure	1994 Second quarter	1994 First quarter	Percent change 1st to 2nd	1993 Second quarter	Percent change 2nd to 2nd	Forecast 1994 ^a			
						Third quarter	Percent change	Fourth quarter	Percent change
Employment									
Goods-producing	17,150	16,940	1.2	16,770	2.3	17,250	0.6	17,440	1.1
Service-producing	30,920	30,790	0.4	30,270	2.1	31,160	0.8	31,480	1.0
Government	9,200	9,200	0.0	9,440	-2.5	9,160	-0.4	9,110	-0.5
Total employment	57,280	56,930	0.6	56,470	1.4	57,560	0.5	58,030	0.8
Unemployment									
Number	5,540	7,060	-21.5	6,610	n.c.				
Rate	7.2	9.1	-20.9	8.6	n.c.				
Indicators									
Help-wanted ads	144	141	2.1	108	33.3				
UI claims	270	272	-0.7	284	-4.9				
New dwelling units ^a . . .	732	951	-23.0	749	-2.3				
		Latest month		Previous month					
Employment Service Index*		76.7 (June)		85.4 (May)					

NOTES: *Index = (percent survey reporting improvement) + 0.5 (percent survey reporting no change). n.c. = not comparable.

a. Seasonally adjusted annual rate.

b. Percent change from preceding quarter.

KALAMAZOO-BATTLE CREEK MSA

Total employment in the Kalamazoo-Battle Creek MSA increased a meager 0.2 percent during the second quarter of 1994. Except for substantial employment gains in construction, employment in most sectors experienced very little change. Despite the lack of employment growth in the quarter, the area's unemployment rate fell to 4.8 percent. We predict total MSA employment to grow 0.5 percent in the current third quarter and an additional 0.6 percent in the final quarter of 1994.

Employment in the area's goods-producing industries grew 0.3 percent in the second quarter, as employment declines in nondurables partially offset gains in durable goods production and construction. Employment in the area's construction industry rose a healthy 2.0 percent in the second quarter, reflecting in part a 17.0 percent increase in the number of new dwelling units put under contract.

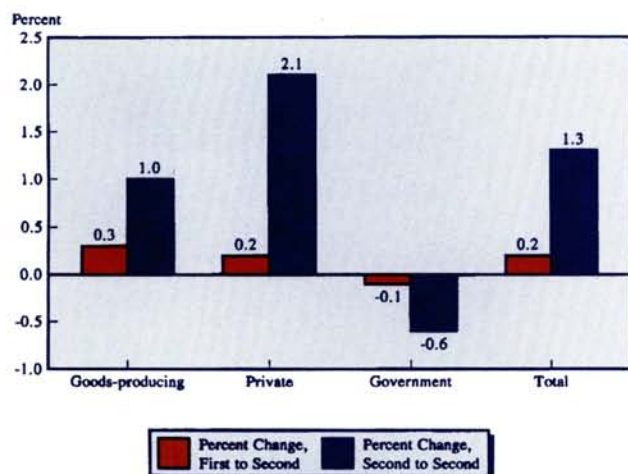
Like other areas in West Michigan, the Kalamazoo-Battle Creek MSA has benefited from the good fortune of the Detroit auto industry. Employment in the MSA's auto-related plastics companies expanded 4.5 percent between the second quarter of 1993 and second quarter of 1994. Coinciding with these additions were the strong gains in the industrial machinery and transportation equipment sectors, where employment grew 5.6 percent and 5.3 percent, respectively.

Employment in the area's service-producing sector rose just 0.2 percent in the second quarter, with employment gains in finance and services being partially erased by losses in retail. Government employment was off by 0.1 percent.

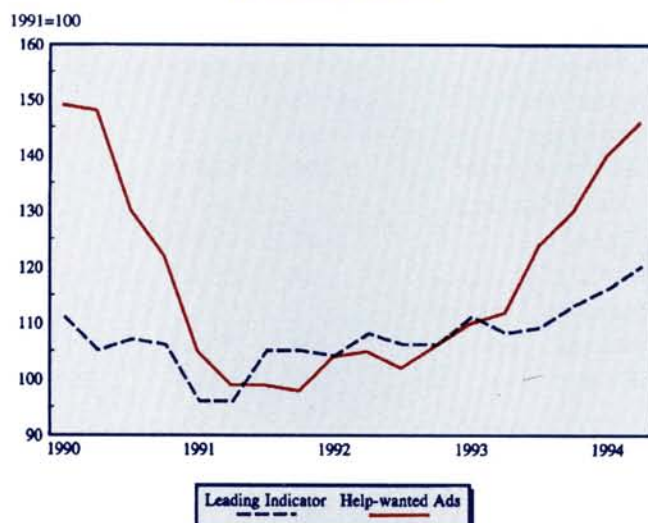
The significant decline in the area's unemployment rate in the face of modest employment growth is something of a mystery. The problem lies in the fact that employment growth as measured by place of residency conflicts with the measure of employment growth by place of work. Employment of area residents grew by 1.5 percent or by over 3,000 jobs, while employment at area firms and governmental units grew by only 0.2 percent or by 350 workers. The riddle can be solved if a significant number of the area's new jobholders are either commuting outside the MSA to work and/or are self-employed. Both scenarios are somewhat unlikely. It is more likely that the establishment data are underestimating area employment growth while the household estimates are overestimating employment growth.

The area's economic indicators are in agreement and point to further employment gains in the coming months. The area's Index of Help-Wanted Advertising was up 4.3 percent in the second quarter, while the Index of Leading Indicators increased 3.4 percent. Both support our forecast of modest employment growth across all major sectors of the local economy.

**Kalamazoo-Battle Creek MSA
Employment Growth
(seasonally adjusted)**



**Kalamazoo-Battle Creek MSA
Economic Indexes**



Kalamazoo-Battle Creek MSA
(Adjusted for seasonal variations)

Measure	1994 Second quarter	1994 First quarter	Percent change 1st to 2nd	1993 Second quarter	Percent change 2nd to 2nd	Forecast 1994			
						Third quarter	Percent change 2nd to 3rd	Fourth quarter	Percent change 3rd to 4th
Employment									
Goods-producing	56,350	56,170	0.3	55,790	1.0	56,530	0.3	56,830	0.5
Construction & mining	6,710	6,580	2.0	6,490	3.4				
Manufacturing	49,640	49,590	0.1	49,290	0.7				
Durable goods	21,530	21,330	0.9	21,050	2.3				
Nondurable goods	28,110	28,260	-0.5	28,240	-0.5				
Private service-producing . .	107,190	107,020	0.2	104,960	2.1	107,960	0.7	108,760	0.7
Transportation & pub. utilities	6,240	6,230	0.2	6,180	1.0				
Wholesale trade	6,750	6,710	0.6	6,680	1.0				
Retail trade	36,570	36,660	-0.2	35,630	2.6				
Finance, ins. & real estate . .	10,400	10,350	0.5	10,230	1.7				
Services	47,230	47,070	0.3	46,230	2.2				
Government	33,860	33,880	-0.1	34,070	-0.6	33,910	0.1	33,930	0.0
Total	197,410	197,060	0.2	194,810	1.3	198,400	0.5	199,520	0.6
Unemployment									
Number unemployed	10,910	14,120	-22.7	12,590	-13.3				
Unemployment rate	4.8	6.2	-22.6	5.6	-14.3				
Local Indexes									
Help-wanted ads	146	140	4.3	112	30.4				
Leading indicators	120	116	3.4	108	11.1				
Local components:									
Average weekly hours	44.8	44.4	0.9	43.1	3.9				
UI initial claims	614	602	2.0	605	1.5				
New dwelling units ^a	2,213	1,891	17.0	987	124.3				

SOURCES: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from *Kalamazoo Gazette* and *Battle Creek Enquirer*, and employment data from MESO. National components of the leading indicators in Table A-5.

NOTE: Categories may not sum to total due to rounding.

a. New dwelling unit data are seasonally adjusted annual rates.

Industry Employment Change
Second Quarter-Second Quarter
(Unadjusted for seasonal variations)

Industry	2nd Q 94	2nd Q 93	Percent change	Industry	2nd Q 94	2nd Q 93	Percent change
Goods-Producing	56,567	56,000	1.0	Service-Producing	140,667	138,700	1.4
Primary metals	1,300	1,300	0.0	Gen'l merchandise stores . . .	6,433	5,967	7.8
Fabricated metals	6,300	6,367	-1.0	Food stores	4,200	4,300	-2.3
Industrial machinery	4,367	4,133	5.6	Auto dealers & service	3,700	3,700	0.0
Transportation equipment . .	4,633	4,400	5.3	Eating & drinking places	13,500	13,267	1.8
Food & kindred products . .	7,700	7,867	-2.1	Health services	16,667	16,300	2.2
Paper & allied products . . .	5,100	5,167	-1.3	Government	33,467	33,667	-0.6
Printing & publishing	2,967	2,967	0.0	Federal government	5,600	5,600	0.0
Chem & allied products . . .	8,100	8,233	-1.6	State government	7,600	7,633	-0.4
Plastics & rubber	3,900	3,733	4.5	Local government	20,333	20,467	-0.7
				Local gov't education	12,667	12,700	-0.3

Total employment in Kalamazoo County inched up an estimated 0.2 percent in the second quarter, but the area's unemployment rate still fell to below 4.0 percent. Area employment is expected to expand in the final half of the year with employment forecast to increase 0.6 percent during the third quarter and by a similar 0.7 percent in the final quarter.

Employment in the county's goods-producing industries rose an estimated 0.3 percent in the second quarter, and short-term employment prospects are positive. Richard-Allen Medical Industries has started on \$1.2 million expansion that will more than double the size of its existing facility and enlarge its workforce by 40 more people in the next several years. In addition, the former Du-Wel Products plant will be reopened this fall under the new name Bangor Industries, Inc. As a manufacturer of plate door hardware, lever handles, appliance hardware, and auto plating, it is

expected that Bangor will eventually employ up to 200 workers. Finally, Glassmaster Company, a producer of flexible steel wire controls and molded plastic control panels, recently acquired the former Master-Craft plant and will hire 55 new employees.

In July, labor contract talks at two of the area's larger employers, James River Corporation and Abex/NWL Aerospace, broke down, resulting in short-term work stoppages and idling a total of nearly 1,000 workers. Fortunately, labor and management reached agreement at both facilities.

The economic indicators support our prediction of further employment growth in the coming quarters. The area's Index of Help-Wanted Advertising rose 5.9 percent and its Employment Service Index stood at 80.8 in June, well above the reading of 50 points which indicates increased hiring. The area's Purchasing Managers indices for July and June were also strong.

Kalamazoo Area

Measure	1994 Second quarter	1994 First quarter	Percent change 1st to 2nd	1993 Second quarter	Percent change 2nd to 2nd	Forecast 1994 ^a			
						Third quarter	Percent change	Fourth quarter	Percent change
Employment									
Goods-producing	33,430	33,320	0.3	32,820	1.9	33,520	0.3	33,690	0.5
Service-producing	68,420	68,280	0.3	65,840	3.9	68,970	0.8	69,620	0.9
Government	18,170	18,160	0.1	18,370	-1.1	18,200	0.2	18,230	0.2
Total employment	120,020	119,760	0.2	117,030	2.6	120,690	0.6	121,540	0.7
Unemployment									
Number	4,680	6,290	-25.6	5,510	n.c.				
Rate	3.8	5.0	-24.0	4.5	n.c.				
Indicators									
Help-wanted ads.	162	153	5.9	115	40.9				
UI claims	267	280	-4.6	304	-12.2				
New dwelling units ^a	1,757	1,370	28.2	613	186.5				
		Latest month		Previous month					
Employment Service Index*		80.8 (June)		83.8 (May)					
Purchasing Management Index*		63.0 (July)		74.5 (June)					

NOTES: *Index = (percent survey reporting improvement) + 0.5 (percent survey reporting no change). n.c. = not comparable.

a. Seasonally adjusted annual rate.

b. Percent change from preceding quarter.

Battle Creek Area (Calhoun County)

Total employment grew an estimated 0.1 percent during the second quarter in Calhoun County. Employment gains in the area's goods-producing and service-producing sectors more than offset declines in its government sector. We expect modest employment gains to continue in the final quarters of 1994. In particular, we see total employment growing by 0.4 percent in the current third quarter and by 0.3 percent in the final fourth quarter.

Employment in the area's goods-producing sector rose an estimated 0.2 percent in the second quarter. Further modest employment gains are expected in the coming months, although continued productivity improvements in the area's large cereal industry will slow down area job growth. Ralcorp Holding Company has announced an \$8 million capital expansion plan at its Ralston Foods plant. The project will improve the plant's productivity and ensure its continuing operations but will also allow the company to eliminate 30 to 40 positions.

Employment in the area's service-producing sector rose 0.2 percent in the quarter, according to our estimates. Further employment growth is expected even in light of the recent announcement by TIG Insurance Company, formerly Transamerica Insurance, of the need to eliminate 67 workers or 17 percent of its workforce. Moreover, Southwestern

Michigan Rehabilitation Hospital could close, eliminating 65 jobs if proposed changes in Medicare regulations are in effect by October of this year.

In addition to the aforementioned losses in manufacturing and services, government employment may also be impacted by Air Force decisions. In particular, the Michigan Air National Guard base, located at W.K. Kellogg Airport, is being considered for closure by the Air Force.

Despite modest employment gains, the area's employment rate fell to 5.6 percent in the second quarter. The ranks of the unemployed fell by nearly 800 individuals.

Area economic indicators are not supportive of our forecast of modest employment growth in the coming months, however. The area's Index of Help-Wanted Advertising fell 8.3 percent in the second quarter, indicating worsening employment conditions in the area's service-producing sector. Initial claims for unemployment insurance are up and the number of new dwelling units put under contract dropped by 22.2 percent. Moreover, the area's Employment Service Index fell to 35.9 in June, suggesting a decline in hiring activity primarily in the area's manufacturing sector. Despite these ominous indicators, we still expect further employment growth in the area albeit at a slow rate.

Battle Creek Area

Measure	1994 Second quarter	1994 First quarter	Percent change 1st to 2nd	1993 Second quarter	Percent change 2nd to 2nd	Forecast 1994 ^a			
						Third quarter	Percent change	Fourth quarter	Percent change
Employment									
Goods-producing	19,040	19,000	0.2	18,450	3.2	19,120	0.4	19,220	0.5
Service-producing	31,620	31,560	0.2	30,640	3.2	31,800	0.5	31,890	0.3
Government	11,150	11,180	-0.3	11,340	-1.7	11,160	0.1	11,150	0.0
Total employment	61,810	61,740	0.1	60,570	2.0	62,080	0.4	62,260	0.3
Unemployment									
Number	3,760	4,540	-17.2	4,290	n.c.				
Rate	5.6	6.7	-16.4	6.4	n.c.				
Indicators									
Help-wanted ads	100	109	-8.3	100	0.0				
UI claims	351	314	11.8	302	16.2				
New dwelling units ^a . . .	410	527	-22.2	381	7.7				
		Latest month		Previous month					
Employment Service Index*		35.9 (June)		63.2 (May)					

NOTES: *Index = (percent survey reporting improvement) + 0.5 (percent survey reporting no change). n.c. = not comparable.

a. Seasonally adjusted annual rate.

b. Percent change from preceding quarter.

Table A-1
Michigan (Statewide) Statistics
 (Adjusted for seasonal variations)

Measure	1994 Second quarter	1994 First quarter	Percent change first to second	1993 Second quarter	Percent change second to second
Employment					
Goods-producing	1,070,640	1,066,390	0.4	1,026,950	4.3
Construction & mining	137,550	136,370	0.9	130,390	5.5
Manufacturing	933,080	930,020	0.3	896,560	4.1
Durable goods	694,370	690,710	0.5	663,960	4.6
Nondurable goods	238,720	239,300	-0.2	232,600	2.6
Private service-producing	2,360,990	2,343,960	0.7	2,291,130	3.0
Transportation & pub. utilities	157,840	157,830	0.0	156,600	0.8
Wholesale trade	200,030	198,180	0.9	196,830	1.6
Retail trade	759,280	751,860	1.0	734,690	3.3
Finance, insurance & real estate	195,020	193,390	0.8	192,260	1.4
Services	1,048,820	1,042,700	0.6	1,010,760	3.8
Government	635,280	637,500	-0.3	639,720	-0.7
Total	4,066,900	4,047,850	0.5	3,957,800	2.8
Unemployment					
Number unemployed	277,950	346,750	-19.8	342,680	-18.9
Unemployment rate	5.8	7.3	-20.5	7.2	-19.4
State indexes					
Help-wanted ads:					
Detroit	205	166	23.5	125	64.0
West Michigan (3 MSAs)	164	154	6.5	123	33.3
Leading indicators	124	120	3.3	110	12.7
Local components:					
Average weekly hours	44.4	44.6	-0.4	42.6	4.2
UI initial claims	13,494	14,044	-3.9	17,010	-20.7
New dwelling units ^a	40,212	39,717	1.2	36,673	9.7

SOURCES: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F. W. Dodge Division, McGraw Hill Information Systems Company, Detroit help-wanted index from The Conference Board, and employment data from MESC. National components of the leading indicators in Table A-5.

NOTE: Categories may not sum to total due to rounding.

a. New dwelling unit data are seasonally adjusted annual rates.

Michigan
Industry Employment Change
Second Quarter to Second Quarter

Industry	2nd Q 94	2nd Q 93	Percent change	Industry	2nd Q 94	2nd Q 93	Percent change
Goods-Producing	1,083,333	1,039,667	4.2	Auto dealers & serv. stations ..	78,700	75,667	4.0
Lumber & wood products ..	16,300	15,000	8.7	Apparel & accessory stores ...	38,267	37,000	3.4
Furniture & fixtures	35,633	34,333	3.8	Home furn. & equip. stores ...	27,500	27,000	1.9
Primary metals	36,833	36,000	2.3	Eating & drinking places	273,800	264,333	3.6
Fabricated metals	120,900	116,000	4.2	Hotels & other lodging places	33,533	33,667	-0.4
Industrial machinery	121,100	116,667	3.8	Business services	218,867	202,333	8.2
Electronic equipment	30,900	30,000	3.0	Health services	336,233	329,667	2.0
Transportation equipment ..	293,467	278,667	5.3	Private education services	38,900	38,000	2.4
Food & kindred products ..	42,033	43,333	-3.0	Social services	77,000	73,333	5.0
Apparel	17,833	17,000	4.9				
Paper & allied products ...	21,167	21,333	-0.8	Government	640,333	645,000	-0.7
Printing & publishing	44,133	45,000	-1.9	Federal government	55,933	56,667	-1.3
Chemicals & allied products	45,800	46,333	-1.2	State government	159,533	160,000	-0.3
Plastics & rubber	61,867	55,333	11.8	Local government	424,533	428,000	-0.8
				Local gov't health serv.	15,167	15,000	1.1
Service-Producing	3,011,333	2,944,333	2.3	Local gov't education	251,633	253,667	-0.8
General merchandise stores	119,967	116,333	3.1				
Food stores	101,933	100,000	1.9				

Table A-2
West Michigan (3 MSAs) Statistics
(Adjusted for seasonal variations)

Measure	1994 Second quarter	1994 First quarter	Percent change first to second	1993 Second quarter	Percent change second to second
Employment					
Goods-producing	238,010	236,230	0.8	230,670	3.2
Construction & mining	28,860	27,920	3.4	27,320	5.6
Manufacturing	209,150	208,310	0.4	203,350	2.9
Durable goods	126,980	126,230	0.6	122,990	3.2
Nondurable goods	82,170	82,080	0.1	80,360	2.3
Private service-producing	410,580	409,020	0.4	400,270	2.6
Transportation & pub. utilities ..	26,220	26,130	0.3	25,710	2.0
Wholesale trade	38,750	38,690	0.2	38,090	1.7
Retail trade	133,320	133,300	0.0	131,500	1.4
Finance, insurance & real estate ..	32,240	32,220	0.1	31,830	1.3
Services	180,050	178,680	0.8	173,150	4.0
Government	94,080	93,790	0.3	93,980	0.1
Total	742,670	739,040	0.5	724,920	2.4
Unemployment					
Number unemployed	35,500	45,470	-21.9	43,890	-19.1
Unemployment rate	4.7	6.1	-23.0	5.9	-20.3
Local indexes					
Help-wanted ads	164	154	6.5	123	33.3
Leading indicators	122	120	1.7	111	9.9
Local components:					
Average weekly hours	43.2	43.3	-0.2	42.4	1.9
UI initial claims	2,024	1,968	2.8	2,108	-4.0
New dwelling units ^a	7,721	8,108	-4.8	5,892	31.0

SOURCES: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F. W. Dodge Division, McGraw Hill Information Systems Company, ad counts from the five major daily newspapers, and employment data from MESC. National components of the leading indicators in Table A-5.

NOTE: Categories may not sum to total due to rounding.

a. New dwelling unit data are seasonally adjusted annual rates.

Table A-3
Index of Help-Wanted Advertising (1991=100)

Area	Annual averages (Selected years)					By quarter (Adjusted for seasonal variations)					
	1983	1989	1990	1991	1992	1993	1993			1994	
							II	III	IV	I	II
Battle Creek	85	161	129	100	95	98	92	90	93	108	100
Benton Harbor	49	138	133	100	121	167	130	200	209	166	184
Grand Rapids	60	149	132	100	113	134	129	139	151	163	171
Kalamazoo	68	172	141	100	107	127	115	131	143	153	162
Muskegon	66	124	128	100	104	113	108	118	128	141	144
West Michigan, 3 MSAs	63	152	133	100	110	131	123	138	147	154	164
Detroit, Michigan LMA	146	170	135	95	106	134	125	140	150	166	205
United States	111	208	177	128	128	108	104	109	115	121	125

SOURCES: West Michigan indexes based on ad counts from the *Battle Creek Enquirer*, *Benton Harbor Herald Palladium*, *Grand Rapids Press*, *Kalamazoo Gazette*, and *Muskegon Chronicle*; United States and Detroit indexes derived from (1967=100) series of The Conference Board.

Table A-4
Index of Leading Indicators (1991=100)
(Rounded)

MSA	Annual averages (Selected years)					By quarter (Adjusted for seasonal variations)					
	1983	1989	1990	1991	1992	1993	1993			1994	
							II	III	IV	I	II
Benton Harbor	121	110	111	100	112	119	118	117	122	126	130
Grand Rapids-Muskegon-Holland	112	112	108	100	106	114	112	112	118	121	123
Kalamazoo-Battle Creek	110	109	107	100	106	110	108	109	113	116	120
West Michigan, 3 MSAs	111	111	108	100	106	113	111	111	116	120	122
Michigan	111	112	109	100	106	112	110	110	116	120	124

SOURCES: National index from U.S. Department of Commerce, all others from the W.E. Upjohn Institute.

Table A-5
Components of the Index of Leading Indicators

1. Average Weekly Hours of Production Workers											
MSA	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1983	1989	1990	1991	1992	1993	1993			1994	
							II	III	IV	I	II
Benton Harbor	42.1	42.9	41.6	40.7	41.8	43.2	43.2	43.6	43.1	42.8	42.6
Grand Rapids-Muskegon-Holland .	41.2	41.4	40.7	40.0	40.5	42.3	42.0	42.6	43.0	43.0	42.7
Kalamazoo-Battle Creek	42.0	42.9	42.1	42.3	42.6	43.7	43.1	43.6	44.5	44.4	44.8
West Michigan, 3 MSAs	41.5	41.9	41.1	40.7	41.1	42.7	42.4	43.0	43.3	43.3	43.2
Michigan	42.5	42.9	41.7	41.5	41.8	43.1	42.6	42.8	44.2	44.6	44.4
United States	40.1	40.9	40.7	40.6	41.1	41.4	41.2	41.4	41.8	41.7	42.0
2. Initial Claims for Unemployment Insurance (Average per week)											
MSA	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1983	1989	1990	1991	1992	1993	1993			1994	
							II	III	IV	I	II
Benton Harbor	219	294	273	347	295	209	206	216	198	197	197
Grand Rapids-Muskegon-Holland .	1,693	1,432	1,743	1,958	1,802	1,290	1,293	1,342	1,220	1,170	1,209
Kalamazoo-Battle Creek	748	665	719	781	747	601	605	601	610	602	614
West Michigan, 3 MSAs	2,659	2,391	2,735	3,087	2,847	2,101	2,108	2,145	2,038	1,968	2,024
Michigan	21,583	17,573	21,048	26,490	23,941	16,695	17,010	17,802	15,460	14,044	13,494
United States	438,660	317,220	367,510	443,270	422,090	368,130	371,810	387,180	355,710	340,230	339,870
3. New Dwelling Units - Put Under Contract											
MSA	Annual averages (Selected years)						By quarter (Seasonally adjusted annual rate)				
	1983	1989	1990	1991	1992	1993	1993			1994	
							II	III	IV	I	II
Benton Harbor	322	384	493	391	595	508	497	501	500	556	578
Grand Rapids-Muskegon-Holland .	3,136	5,755	6,084	4,379	4,303	4,516	4,489	4,165	5,497	5,578	5,013
Kalamazoo-Battle Creek	896	1,866	2,225	1,146	1,432	1,259	987	1,219	1,421	1,891	2,213
West Michigan, 3 MSAs	4,361	7,996	8,806	5,918	6,338	6,279	5,892	5,909	7,454	8,108	7,721
Michigan	24,802	43,764	48,064	36,005	37,874	37,359	36,673	37,260	37,462	39,717	40,212
4. National Purchasing Management Association Survey (Selected components indexed)^a											
Component	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1983	1989	1990	1991	1992	1993	1993			1994	
							II	III	IV	I	II
New orders	129	100	95	102	116	114	106	108	122	123	126
Change in inventories	96	91	82	80	88	90	90	91	92	88	94
Vendor performance	113	105	104	95	100	104	103	102	105	111	118
Changes in material prices	119	106	112	88	100	104	103	101	106	124	133

SOURCES: Average weekly hours and initial claims based on information from Michigan Employment Security Commission; number of housing units put under contract, F.W. Dodge Division, McGraw Hill Information Systems Company; survey data from the National Association of Purchasing Management. Seasonal adjustments by the Institute.

a. Survey results shown here are based on percent reporting conditions favorable to economic growth minus percent reporting conditions unfavorable to economic growth plus 100.

Table A-6
Employment Data for West Michigan MSAs and Michigan
(Thousands of jobs - by place of work)

Total Employment^a											
MSA	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1983	1989	1990	1991	1992	1993	1993				
							II	III	IV	I	II
Benton Harbor	55.1	67.0	67.8	66.0	66.6	67.1	66.8	67.1	67.8	68.1	68.0
Grand Rapids-Muskegon-Holland	335.4	437.8	449.9	445.5	453.6	465.3	463.3	464.2	472.3	473.7	477.3
Kalamazoo-Battle Creek	156.7	190.4	189.7	187.6	195.4	195.1	194.8	194.8	196.7	197.1	197.4
West Michigan, 3 MSAs	547.2	695.2	707.3	699.3	713.2	727.8	724.9	726.2	736.7	739.0	742.7
Michigan	3,214.4	3,911.5	3,960.6	3,881.1	3,918.2	3,973.9	3,957.8	3,969.2	4,006.0	4,047.9	4,066.9
Goods-Producing Employment^b											
MSA	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1983	1989	1990	1991	1992	1993	1993				
							II	III	IV	I	II
Benton Harbor	20.0	24.1	23.7	22.4	22.0	21.9	21.9	21.8	22.1	22.4	22.3
Grand Rapids-Muskegon-Holland	123.0	154.9	154.9	149.1	150.4	154.0	153.0	152.4	158.0	157.6	159.4
Kalamazoo-Battle Creek	49.5	57.8	56.4	54.1	55.7	55.8	55.8	55.6	56.0	56.2	56.4
West Michigan, 3 MSAs	192.1	236.8	235.0	225.6	228.2	231.7	230.7	229.7	235.9	236.2	238.0
Michigan	967.0	1,111.0	1,086.3	1,026.2	1,029.2	1,034.4	1,027.0	1,026.9	1,045.3	1,066.4	1,070.6
Private Service-Producing Employment^c											
MSA	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1983	1989	1990	1991	1992	1993	1993				
							II	III	IV	I	II
Benton Harbor	27.3	34.2	35.2	34.6	35.5	36.0	35.7	36.0	36.6	36.7	36.7
Grand Rapids-Muskegon-Holland	172.8	236.1	247.0	247.6	253.0	260.9	259.6	261.7	263.8	265.2	266.7
Kalamazoo-Battle Creek	77.5	98.9	100.7	100.7	103.7	105.5	105.0	105.3	106.8	107.0	107.2
West Michigan, 3 MSAs	277.6	369.3	382.9	382.9	392.2	402.3	400.3	402.9	407.0	409.0	410.6
Michigan	1,677.3	2,177.3	2,240.4	2,219.2	2,250.1	2,299.8	2,291.1	2,302.2	2,320.7	2,344.0	2,361.0
Government Employment											
MSA	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1983	1989	1990	1991	1992	1993	1993				
							II	III	IV	I	II
Benton Harbor	7.9	8.7	8.9	8.9	9.1	9.2	9.2	9.3	9.2	9.0	9.0
Grand Rapids-Muskegon-Holland	40.1	46.8	48.0	48.9	50.1	50.5	50.7	50.2	50.6	51.0	51.2
Kalamazoo-Battle Creek	29.7	33.7	32.6	32.7	33.6	34.1	34.1	34.0	34.0	33.9	33.9
West Michigan, 3 MSAs	77.6	89.2	89.5	90.9	92.8	93.7	94.0	93.6	93.8	93.8	94.1
Michigan	570.1	623.2	633.9	635.7	638.9	639.7	639.7	640.0	640.0	637.5	635.3

SOURCE: Michigan Employment Security Commission. Seasonal adjustments by the Institute.

NOTE: Annual employment statistics are adjusted to reflect MESC's final average annual employment figures. Quarterly estimates are subject to change due to the addition of current quarter employment estimates.

a. Components may not add to totals because of rounding.

b. Manufacturing and construction and mining.

c. Transportation and public utilities; wholesale trade; retail trade; finance, insurance, and real estate; and services.

Table A-7
Vacancy Rates for Selected Metropolitan Labor Market Areas in Michigan

Labor market area	Total existing housing units				
	Housing units		Vacancy rates		
	Total	Vacant	All Types*	Homeowner	Rental
Ann Arbor.....	111,256	6,728	6.0	1.3	7.0
Battle Creek.....	55,619	3,807	6.8	1.1	8.8
Benton Harbor.....	69,532	8,507	12.2	1.5	6.6
Detroit.....	1,714,351	95,401	5.6	1.1	7.4
Flint.....	170,808	9,512	5.6	1.1	7.1
Grand Rapids.....	259,322	14,918	5.8	1.1	7.7
Jackson.....	57,979	4,319	7.4	1.1	6.5
Kalamazoo.....	88,955	5,253	5.9	1.3	8.0
Lansing.....	165,018	8,131	4.9	1.2	6.4
Muskegon.....	61,962	4,164	6.7	1.3	7.3
Saginaw-Bay City-Midland.....	155,508	7,273	4.7	1.0	5.5

SOURCE: 1990 U.S. Census Summary Tape File 1A.

*Includes vacant seasonal, recreational, or occasional use housing units.

Labor market area	Existing housing units plus units under construction (vacancy rates)				
	End date of survey	All types		Single family attached	
		All types	Single family	Single family attached	Multifamily
Ann Arbor.....	03/07/90	4.2	1.6	6.3	7.5
Battle Creek.....	10/14/88	4.0	2.6	9.3	9.6
Benton Harbor.....	04/06/89	3.4	2.7	4.1	6.3
Detroit.....	12/11/90	3.2	2.1	5.9	6.6
Flint.....	03/16/89	3.7	2.8	6.0	7.1
Grand Rapids.....	03/25/89	3.4	2.0	5.2	7.9
Jackson.....	05/11/89	3.1	2.0	11.0	6.7
Kalamazoo.....	03/16/89	5.2	2.6	10.7	10.8
Lansing.....	10/27/88	3.3	2.6	4.1	5.3
Muskegon.....	06/01/89	2.9	2.3	17.0	3.9
Saginaw-Bay City-Midland.....	09/23/89	2.5	2.0	5.1	4.3

SOURCE: Federal Home Loan Bank of Indianapolis.

NOTE: Vacancy rates for United States are not strictly comparable. In 1991 vacancy rates published by U.S. Department of Commerce show rental housing vacancy rates for the first, second, third, and fourth quarters of 1991 at 7.5, 7.3, 7.6, and 7.3 percent. Homeowner housing vacancy rates for the same periods were 1.7, 1.8, 1.8, and 1.6 percent.

Table A-8
Population by Age Groups
Six Metropolitan Counties in West Michigan

Area	Total	Percent Distribution					
		Under 5	5-20	21-24	25-44	45-64	Over 64
Calhoun County..... 1990	135,982	7.4	23.9	5.1	30.4	19.8	13.4
..... 1980	141,579	7.4	27.1	6.7	26.6	20.9	11.3
Berrien County..... 1990	161,378	7.4	24.1	5.2	29.9	19.7	13.7
..... 1980	171,276	7.7	28.4	6.6	26.5	19.9	11.0
Kent County..... 1990	500,631	8.7	24.1	6.3	33.7	16.4	10.8
..... 1980	444,506	8.1	27.8	8.3	27.5	18.1	10.2
Ottawa County..... 1990	187,768	8.5	26.5	6.1	32.2	16.8	9.8
..... 1980	157,174	8.4	30.1	7.4	28.4	17.0	8.7
Kalamazoo County..... 1990	223,411	7.3	24.4	8.2	32.1	17.4	10.6
..... 1980	212,378	6.9	28.1	10.2	28.5	17.4	8.9
Muskegon County..... 1990	158,983	8.1	24.2	5.2	31.1	18.3	13.1
..... 1980	157,589	7.9	28.4	7.1	25.9	20.0	10.7

SOURCES: 1980 Census *General Population Characteristics* and 1990 Census. Summary Tape File 1A from the Michigan State Office of Management and Budget.

NOTE: The 1980 and 1990 population figures for each of the counties is shown on Table A-13.

Table A-9
1991 Earnings by Industry for Selected Counties of Michigan
(Thousands of dollars)

Earnings by Industry	Berrien	Calhoun	Kalamazoo	Kent	Muskegon	Ottawa
Farm	\$ 21,711	\$ 8,955	\$ 4,975	\$ 34,796	\$ 10,691	\$ 67,756
Nonfarm	1,783,513	1,819,339	3,441,061	8,318,824	1,587,311	2,306,786
Private	1,552,321	1,486,155	2,972,111	7,586,320	1,339,181	2,041,788
Agricultural services, forestry, fisheries, and other	6,857	3,966	17,734	32,620	4,005	18,555
Mining	5,694	3,490	3,073	12,736	3,426	2,180
Construction	66,654	72,467	150,422	460,871	77,018	172,675
Manufacturing	689,557	671,078	1,285,110	2,692,315	576,745	990,055
Transportation & public utilities	112,694	113,217	110,761	350,981	88,988	98,731
Wholesale trade	66,402	50,741	130,873	832,248	64,384	116,053
Retail trade	174,543	166,302	283,947	919,144	163,676	208,665
Finance, insurance & real estate	58,148	90,524	177,616	369,664	31,518	44,685
Services	371,772	314,370	812,575	1,915,741	329,421	390,189
Government	231,192	333,184	468,950	732,504	248,130	264,998
Total earnings by place of work	1,805,224	1,828,294	3,466,036	8,353,620	1,598,002	2,374,542

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

Table A-10
Consumer Price Index

Consumer Price Index (CPI), U.S. City Average (1982-84=100)													
Year	Annual Avg.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
CPI for All Urban Consumers (CPI-U)													
1984.....	103.9	101.9	102.4	102.6	103.1	103.4	103.7	104.1	104.5	105.0	105.3	105.3	105.3
1985.....	107.6	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3
1986.....	109.6	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5
1987.....	113.6	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4
1988.....	118.3	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5
1989.....	124.0	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1
1990.....	130.7	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8
1991.....	136.2	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9
1992.....	140.3	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9
1993.....	144.5	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8
1994.....	...	146.2	146.7	147.2	147.4	147.5	148.0	148.4	...	...	...	...	...
CPI for Urban Wage Earners and Clerical Workers (CPI-W)													
1984.....	103.3	101.6	101.8	101.8	102.1	102.5	102.8	103.2	104.2	104.8	104.8	104.7	104.8
1985.....	106.9	104.9	105.4	105.9	106.3	106.7	107.0	107.1	107.3	107.6	107.9	108.3	108.6
1986.....	108.6	108.9	108.5	107.9	107.6	107.9	108.4	108.4	108.6	109.1	109.1	109.2	109.3
1987.....	112.5	110.0	110.5	111.0	111.6	111.9	112.4	112.7	113.3	113.8	114.1	114.3	114.2
1988.....	117.0	114.5	114.7	115.2	115.7	116.2	116.7	117.2	117.7	118.5	118.9	119.0	119.2
1989.....	122.6	119.7	120.2	120.8	121.8	122.5	122.8	123.2	123.2	123.6	124.2	124.4	124.6
1990.....	129.0	125.9	126.4	127.1	127.3	127.5	128.3	128.7	129.9	131.1	131.9	132.2	132.2
1991.....	134.3	132.8	132.8	133.0	133.3	133.8	134.1	134.3	134.6	135.2	135.4	135.8	135.9
1992.....	138.2	136.0	136.4	137.0	137.3	137.6	138.1	138.4	138.8	139.1	139.6	139.8	139.8
1993.....	142.1	140.3	140.7	141.1	141.6	141.9	142.0	142.1	142.4	142.6	143.3	143.4	143.3
1994.....	...	143.6	144.0	144.4	144.7	144.9	145.4	145.8	...	...	...	...	...

SOURCE: Bureau of Labor Statistics, U.S. Department of Labor.

NOTES: Monthly data are shown above unadjusted for seasonal variations. Unadjusted CPI data are used extensively for escalation purposes. Although the CPI is often called the "Cost-of-Living Index," it measures only price change, which is just one of several important factors affecting living costs. All CPI series are linked historically to the original CPI Index for Urban Wage Earners and Clerical Workers.

These series contain no revision but are reprinted for the convenience of the user.

PERCENT CHANGE: Movements of these indexes from one time period to another are usually expressed as percent changes rather than changes in index points. Index point changes are affected by the level of the index in relation to its base period while percent changes are not. Examples of computation follow:

$$\left[\frac{108.6 \text{ (1986 annual avg.)} - 106.9 \text{ (1985 annual avg.)}}{106.9 \text{ (1985 annual avg.)}} \right] \times 100 = 1.6\% \text{ change 1985 to 1986, CPI-W.}$$

$$\left[\frac{109.3 \text{ (1986 December)} - 108.6 \text{ (1985 December)}}{108.6 \text{ (1985 December)}} \right] \times 100 = 0.6\% \text{ change December 1985 to December 1986, CPI-W.}$$

Table A-11
Selected Labor Market Indicators
(Not adjusted for seasonal variations)

Labor market area	Average for manufacturing production workers ^a June 1994			Civilian labor force unemployment rate ^b	
	Weekly hours	Hourly earnings	Weekly earnings	April 1994	June 1994
United States	42.1	\$12.02	\$506.04	6.2	6.2
Michigan	44.5	16.15	718.67	5.7	5.6
West Michigan MSAs:					
Benton Harbor	42.9	11.48	492.49	5.8	6.0
Grand Rapids-Muskegon-Holland	42.7	13.21	564.07	4.4	4.6
Kalamazoo-Battle Creek	44.6	15.11	673.91	4.9	4.6
Other labor market areas:					
Ann Arbor	45.3	16.66	754.70	3.4	3.5
Detroit	46.1	17.30	797.53	5.4	5.4
Flint	47.5	21.85	1,037.87	7.5	7.9
Jackson	42.8	11.63	497.76	6.1	6.2
Lansing-E. Lansing	45.8	18.00	824.40	4.0	4.1
Saginaw-Bay City-Midland	46.4	18.14	841.70	6.4	6.1
Upper Peninsula	40.0	11.01	440.40	9.8	8.0

SOURCES: U.S. Department of Labor and the Michigan Employment Security Commission (most recent benchmark).

a. Preliminary. Earnings include overtime and part-time wages.

b. Seasonally adjusted rate for U.S. was 6.4 percent in April 1994 and 6.0 percent in June 1994. Seasonally adjusted rate for Michigan was 5.7 percent in April 1994 and 5.4 percent in June 1994.

Table A-12
Commercial Banking Data
First Quarter 1994
(In thousands of current dollars)

	Area ^a				
	Battle Creek	Benton Harbor	Grand Rapids	Kalamazoo	Muskegon
Total deposits	\$48,387	\$771,774	\$6,516,094	\$2,361,480	\$305,538
Total transaction accounts ^b	16,679	181,081	1,576,491	670,521	65,172
Nontransaction savings ^c	20,609	265,347	1,863,695	772,013	77,495
Time deposits<\$100,000	9,725	283,352	1,720,412	675,504	113,820
Time deposits>\$100,000 ^d	1,374	40,046	1,355,173	243,442	49,051
Total assets	55,224	872,861	8,386,395	2,857,254	352,653
Total loans	22,376	570,531	5,316,448	1,695,347	229,951
Agriculture	87	4,363	42,898	21,438	1,950
Business	2,338	113,113	1,475,954	297,128	54,443
Consumer	4,359	68,878	1,043,454	410,879	43,872
Government	507	6,972	59,231	76,938	3,944
Real estate	15,080	376,439	2,577,224	865,526	124,629
Other ^e	5	766	117,687	23,438	1,113

SOURCE: Federal Reserve Bank of Chicago.

a. Reported data include deposits and assets in all branches of banks with home offices in the five areas.

b. Total transaction accounts include demand deposits, automated teller accounts, and NOW accounts.

c. Nontransaction savings include money market depository accounts (MMDAs) and IRAs.

d. This category includes both time certificates and open-time certificates over \$100,000.

e. Includes loans made to depository institutions, leases, and bankers' acceptances, and unearned income.

Table A-13
Population and Income Update for Selected Area

Area	Population				Per Capita Income			
	1990	1980	Change	% Change	1989	1979	% Change (current dollars)	% Change (constant dollars)
Michigan	9,295,297	9,262,078	33,219	0.4	\$14,154	\$7,688	84.1	7.8
Southwest Michigan	1,751,125	1,646,424	104,701	6.4	13,271	7,072	87.7	9.9
Metropolitan areas								
6-county total	1,368,153	1,284,502	83,651	6.5	13,680	7,240	89.0	10.6
Battle Creek (Calhoun County)...	135,982	141,579	(5,597)	-4.0	12,729	7,211	76.5	3.4
Benton Harbor (Berrien County) .	161,378	171,276	(9,898)	-5.8	12,636	6,728	87.8	10.0
Grand Rapids area	688,399	601,680	86,719	14.4	14,370	7,437	93.2	13.1
Kent County	500,631	444,506	56,125	12.6	14,378	7,522	91.1	11.9
Ottawa County	187,768	157,174	30,594	19.5	14,347	7,198	99.3	16.7
Kalamazoo County	223,411	212,378	11,033	5.2	14,548	7,769	87.3	9.6
Muskegon County	158,983	157,589	1,394	0.9	11,345	6,358	78.4	4.5
Nonmetropolitan								
7-county total	382,972	361,922	21,050	5.8	11,813	6,476	82.4	6.8
Allegan	90,509	81,555	8,954	11.0	12,498	6,744	85.3	8.5
Barry	50,057	45,781	4,276	9.3	12,417	6,965	78.3	4.4
Branch	41,502	40,188	1,314	3.3	11,033	6,449	71.1	0.2
Cass	49,477	49,499	(22)	0.0	12,167	6,481	87.7	9.9
Oceana	22,454	22,002	452	2.1	9,582	5,627	70.3	-0.3
St. Joseph	58,913	56,083	2,830	5.0	12,039	6,473	86.0	8.9
Van Buren	70,060	66,814	3,246	4.9	11,233	6,108	83.9	7.7

SOURCES: State of Michigan Department of Management and Budget and U.S. Bureau of the Census.

Table A-14
Existing Homes Sales

Area	Number of sales Second quarter			Average sales price Second quarter		
	1994	1993	Percent change	1994	1993	Percent change
Battle Creek Area	384	354	8.5	73,303	62,719	16.9
Berrien County Area	785	663	18.4	86,102	90,419	-4.8
Grand Rapids Area	2,619	2,546	2.9	90,993	86,068	5.7
Holland Area	459	384	19.5	99,300	91,750	8.2
Kalamazoo Area	1,370	1,295	5.8	89,622	83,422	7.4
Muskegon Area	492	418	17.7	69,396	67,881	2.2
Michigan	16,204	14,045	15.4	89,224	84,128	6.1

SOURCES: Michigan Association of Realtors and the Muskegon Board of Realtors.

Subscriptions to
BUSINESS OUTLOOK

\$30 for one year (four quarterly issues)

\$50 for a two-year subscription

To subscribe call (616) 343-5541 or write

W. E. Upjohn Institute
300 S. Westnedge Avenue
Kalamazoo, MI 49007

W. E. Upjohn
INSTITUTE

for Employment Research
300 S. Westnedge Ave.
Kalamazoo, Michigan 49007
Telephone: (616) 343-5541